

Brascan Annual Report 1981



Brascan Limited is a major natural resources company with substantial consumer product interests and important holdings in the financial services sector.

Natural Resources

Brascade Resources Inc. 70%
Natural resources holding company

Noramda Mines Limited 42%
Mining, manufacturing and forest products

Westmin Resources Limited 84%
Resource exploration, development and production

Consumer Products

John Labatt Limited 41%
Brewing, consumer and agri products

Scott Paper Company 21%
Paper, forest and other products

Financial Services

London Life Insurance Company 56%
Life insurance and financial services

Royal Trustco Limited 18%
Trust and other financial services

Triarch Corporation Limited 44%
Merchant banking and private placements

Other Operations

Great Lakes Power Group 49%
Generation and distribution of hydro-electric power

Brascan Brazil 49% to 100%
Natural resources, real estate and other investments

Financial Highlights

millions	1981	1980
Net income	\$ 107.9	\$ 86.0
Dividends declared	65.7	39.7
Shareholders' equity	1,250.4	909.4
Total assets	3,266.2	1,445.0
Per ordinary share		
Net income	\$ 3.30	\$ 3.17
Dividends	1.70	1.40
Shareholders' equity	34.61	33.17
Ordinary share statistics		
Market prices		
High	\$ 37¼	\$ 37⅞
Low	23½	21½
Close	23⅞	34¾
Average shares outstanding—millions	26.4	26.2
Registered shareholders	28,507	27,374

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Directors' Report To Shareholders

Net income for 1981 increased to \$107.9 million compared with \$86.0 million in 1980. After providing for preferred share dividends, net income per ordinary share was \$3.30 compared with \$3.17 in 1980.

We accomplished most of the goals set for 1981 in spite of the prevailing difficult economic climate. The corporate development program, introduced in 1979, continued to direct our activities in transforming Brascan Limited into a major natural resources company with substantial consumer product interests and important holdings in the financial services sector.

During 1981 each sector was enhanced by a major investment which should ensure higher earnings in future years. The natural resources sector contributed income of \$53.9 million compared with \$71.0 million in 1980. The consumer products sector contributed income of \$49.0 million compared with \$12.0 million in 1980. Income from the financial services sector was \$12.4 million compared with \$7.9 million in 1980.

Natural Resources

Brascan's investment in Noranda Mines Limited was increased substantially in 1981 and ultimately resulted in the formation of Brascade Resources Inc., our cornerstone company in the natural resources sector. Brascade, owned 70% by Brascan and 30% by Caisse de dépôt et placement du Québec, was formed in July when Brascan and the Caisse pooled their Noranda shares and contributed cash of \$600 million. At the outset Brascade owned 24.4 million Noranda common shares and 0.2 million Noranda convertible preferred shares

and held bank lines of credit in excess of \$1 billion with eight Canadian chartered banks.

In August Brascade agreed with Noranda to purchase 12.5 million common shares from the Noranda treasury, and by October had successfully completed a public offer for 10.0 million additional common shares and 1.8 million convertible preferred shares. These purchases were financed by Brascade's cash resources, part of its bank lines, and the issuance of 7.8 million Brascade convertible preferred shares. As a result, Brascade now holds an effective 42% interest in Noranda common and preferred shares. Seven of the eighteen members of the Noranda Board of Directors are Brascade nominees.

Noranda is a company with unique and extensive assets and operations ranking it among the leading natural resources companies in the world. We are pleased to have completed a very significant investment in this premier company. The negative impact of the current economy on Noranda's operations was anticipated at the time of the Noranda treasury transactions and has not dissuaded us from believing the investment will be particularly rewarding in the years ahead.

Westmin Resources Limited continued to perform well and made meaningful progress toward realizing the full potential of its rich asset base comprising precious and base metals, oil and gas and coal properties. Continuing developmental drilling of the massive sulphide orebody discovered in 1979 at Buttle Lake on Vancouver Island indicates greater ore reserves than previously estimated. This orebody alone has the potential to substantially increase Westmin's earnings base. We

Directors' Report To Shareholders continued

remain confident of Westmin's future under the direction of its present management. Recognizing Brascade as our cornerstone natural resources company, we are examining the possibility of combining our holdings in Westmin and Brascade in a structure that will permit Westmin to remain a separately managed and independently operated public company.

Consumer Products

We are pleased with the performance of John Labatt Limited, Brascan's major holding in the Canadian consumer products sector. In July, Labatt's acquisition of Dominion Dairies Limited, one of Canada's largest dairy operations, substantially enhanced its position in the milk processing business. The introduction of *Budweiser* beer, brewed in Canada, was highly successful in 1981 with the result that Labatt increased its share of the Canadian market. All sectors of Labatt's operations, with the exception of the 50% owned Zymaize interest, continued to show strength.

In March 1981 Brascan acquired 3.65 million previously-unissued shares of Scott Paper Company to bring its investment to 20.5% with the intention of increasing it to 25% after March 31, 1982, when it is permitted to do so under an agreement entered into with Scott at the time of issue of the shares. As the world's leading sanitary tissue producer and a major United States manufacturer of printing and publishing paper, Scott provides Brascan with significant international consumer product exposure. In addition, Scott's extensive timberlands in Canada and the United States represent substantial underlying asset values. During 1981 Brascan nominated four directors to the Scott Board of Directors.

Financial Services

London Life Insurance Company, in which Brascan held a 39% interest at December 31, 1981, reported improved results during the year. The corporate reorganization undertaken by London Life, which was substantially completed in 1981 should ensure that the company retains its position as the largest individual insurer of Canadian lives. In February 1982 Brascan increased its direct and indirect interest in London Life to 56%.

Early in 1981 Brascan made an initial investment of 14.6% in Royal Trustco and in the following months increased the holding to 18%. Brascan expects to increase its Royal Trustco board representation from three to four members by June 1982.

Other Operations

Brascan Brazil continued its focus on the real estate and natural resources sectors. The Rio de Janeiro real estate activities were expanded to São Paulo. In addition to starting 792 residential and commercial high rise condominium units, construction was commenced on two single family planned residential communities. In the natural resources area British Petroleum purchased 50% of Brascan's approximate 99% shareholding in Brascan Recursos Naturais (BRN), whose principal assets include Brascan's tin mining and smelting facilities. BP's participation in BRN will result in earlier exploration and development of the company's extensive mineral properties in Brazil. We continue to have much confidence in the real estate and natural resource areas of the Brazilian economy.

Work continued on the major development project undertaken by Great Lakes Power Limited on the St. Mary's River in Sault Ste. Marie. The construction of this \$113 million hydro-electric plant is on schedule with the opening of the new plant set for the autumn of 1982.

Financing Program

In the 1980 Annual Report, we stated our intention of using the debt and preferred share equity markets to supplement the Company's liquid assets. In this way we believed we could avoid diluting the asset values and long-term growth prospects for our common shareholders. As a result, Brascan and its associated companies were very active during the year in the equity and debt markets and successfully completed a number of major financings. Brascan itself raised approximately \$300 million through public and private issues of its preferred shares. Westmin completed a public issue of \$100 million in convertible preferred shares and Labatt raised \$80 million in convertible debentures. In addition, Brascade issued \$311 million in convertible preferred shares in exchange for Noranda shares.

Board of Directors

At the 1981 Annual Meeting, Dr. Antonio Gallotti and Max Tanenbaum who had reached retirement age, were appointed Honorary Directors. Dr. Roberto Paulo Cezar de Andrade, President of Brascan Brazil, and John Scrymgeour, Chairman of the Board of Westburne International Industries Limited, were appointed to the Board in their place.

Early in 1982, Ted Freeman-Attwood and Bill Brissenden retired from the Board. Ted Freeman-Attwood, who had served as a Board member since 1973, had been with Brascan since November 1, 1971 during which time he served in various executive positions including Vice-President Finance, Executive Vice-President and President of Brascan and more recently President of Brascan Brazil. We appreciate his contribution to the development of

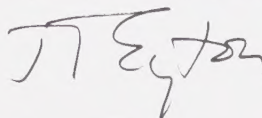
this Company, particularly in Brazil. We are also grateful to Bill Brissenden for his advice and service to the Company since his election in 1979.

In February, Alfred Powis, Chairman, President and Chief Executive Officer of Noranda, and Charles D. Dickey, Jr., Chairman of Scott, joined the Board of Directors. At the 1982 Annual Meeting, Earl Orser, President and Chief Executive Officer of London Life is expected to join the Brascan Board. The appointment of these industry leaders strengthens our close associations with the companies they represent and provides our Board with the benefit of their unique perspectives.

Progress and Outlook

Your Board of Directors, senior officers and staff continued to work diligently through 1981 to achieve the ambitious goals we set in 1979. As a direct result of their efforts we are ahead of plan and confident of the future. According to our plan 1982 will be a year of consolidation, which is especially appropriate in the current difficult economic environment. After 1982 our plan calls for continuing improvement in underlying asset values, earnings and dividends.

On behalf of the Board:



J. Trevor Eyton
President and
Chief Executive Officer

March 19, 1982.



The Business of the Company

Allocation of Resources

Brascan is a major natural resources company with substantial consumer product interests and important holdings in the financial services sector. The table below illustrates that 58% of Brascan's corporate investment holdings are dedicated to natural resources, 29% to consumer products and 13% to financial services and other investments.

millions	Carrying Value	1981 Income
Natural Resources		
Brascade	\$ 816.2	\$ 3.0
Westmin	139.2	22.6
Consumer Products		
Labatt	179.6	21.6
Scott	299.2	27.4
Financial Services		
London Life	47.2	8.9
Royal Trustco	78.5	3.2
Triarch	2.5	0.3
Other Operations		
Great Lakes Power	49.6	5.9
Brascan Brazil	44.5	1.8
Liabilities less financial assets	(406.1)	13.2
Shareholders' equity/net income	<u>\$1,250.4</u>	<u>\$107.9</u>

The summary information provided in the table is in a form which differs from the Company's consolidated financial statements in that the carrying values and income of Brascade and Westmin have been included on the equity method.

Corporate Development Program

To appreciate Brascan as presently constituted, it is useful to review the evolution of the Company over the last few years. The sale of the Brazilian electric utility in January 1979, was a major turning point in Brascan's history and resulted in important changes in its business philosophy, management structure, corporate organization and ultimately, the relative importance of the companies through which it operates. In the fall of 1979, Brascan adopted a definitive corporate development program.

The first phase of the program entailed the realignment of the assets of certain of the operating companies and the commencement of a major corporate financing program. These activities included:

- selling the Brazilian-based investment bank and brewing interests;
- combining Western Mines Limited and Brascan Resources Limited to form Westmin Resources Limited;
- acquiring the Patiño tin mines and smelter in Brazil which were combined with Brascan's existing Brazilian mineral interests to form Brascan Recursos Naturais, and the subsequent transfer of a 50% joint venture interest to British Petroleum;
- restructuring the Great Lakes Power utility operations including its financial activities;
- raising approximately \$1.3 billion of equity-related financing comprised of \$450 million of common equity, \$411 million of convertible preferred shares, \$80 million of convertible debentures and \$330 million of preferred shares for Brascan and its associates.

The proceeds realized from this program added substantially to the cash received from the sale of the Brazilian electric utility in 1979.

The next phase of the corporate development program entailed acquiring major interests in important operating companies in order to achieve the desired emphasis on natural resources and a suitable balance between that sector and the consumer products and financial services operations. The acquisition program included:

- organizing Brascade and acquiring a 42% interest in Noranda;
- increasing the holding in Labatt from 25% to 41%;
- acquiring a 20.5% interest in Scott;
- increasing the holding in London Life from 25% to 39% and more recently to 56%;
- acquiring an 18% interest in Royal Trustco.

The next phase of the corporate development program is the one currently in progress. Its objectives are:

- developing further relationships with our principal operating companies;
- reducing the effective cost of our funding and exposure to the floating rate portion of our borrowings;

The Business of the Company continued

□ restructuring our natural resources holdings, consolidating our position in the consumer products sector, and determining our long-term objectives in the financial services area.

These steps are being taken to further improve Brascan's strong financial structure. As a direct consequence Brascan will be in a position to increase its interests in each of its principal operating companies over time and for value to the 50% range and to take advantage of other opportunities as they arise in the years ahead. The exceptionally high quality of Brascan's principal holdings enhances the Company's existing position and future worth.

Business Philosophy

Brascan's operating emphasis is on total return, comprising increases in underlying asset values as well as reported earnings. The significantly increased natural resources holdings will likely cause Brascan's reported earnings to be cyclical. We expect that this will be moderated by earnings from the consumer products and financial services sectors and within the natural resources sector itself by placing greater emphasis on the forward sale of commodities to reduce the full impact of price changes. In addition, the financial flexibility provided by Brascan's corporate structure will assist in providing supplemental earnings when appropriate.

Brascan intends to maintain the high degree of liquidity resulting from its corporate structure as well as the availability of committed lines of credit. This policy will enable Brascan to assist its principal operating companies in undertaking further significant investments as suitable opportunities arise.

Brascan prefers that its principal operating companies maintain their status as public companies, thus reinforcing the autonomy of their managements and providing flexibility in financing when the occasion demands. Furthermore, the managements of these public companies are encouraged to own equity interests in their companies and thereby through their own efforts, create the major portion of their rewards in a manner consistent with the interests of all their shareholders.

Brascan also believes in the principle of cumulative voting for directors so as to ensure shareholders in public companies are represented on boards in proportion to their holdings. Companies within the Brascan group are encouraged to adopt cumulative voting procedures or at least to afford board representation for shareholders on the same basis.

Brascan encourages and supports the managements of its operating companies by assisting them in establishing financial performance goals. Brascan's ideas are contributed at the board level and a consensus is sought on all crucial matters. Brascan nominees do not vote as a block.

As its operating companies are fundamentally self-sufficient and are expected to have superior managements with the requisite expertise in their respective fields Brascan is not involved in the daily affairs of the companies. Adherence to these principles provides harmonious relationships at both board and management levels of companies within the Brascan group.

Consistent with its earnings expectations, Brascan is firmly committed to a strong dividend policy with the objective of at least maintaining dividends and over time, increasing them. We also encourage our operating companies to follow a similar policy. Brascan believes a firm dividend policy benefits companies by facilitating their access to the capital markets and benefits shareholders in terms of both dividend yield and the market value of their shares.

Natural Resources

It is difficult to live in North America and not be acutely aware of the key role and promise of natural resources. Brascan recognizes that rewards from investments in natural resources cannot be reaped without sizeable cash outlay and risk. Wells must be drilled, shafts sunk, transportation systems constructed, refineries built and world market conditions taken into account when selling the various commodities produced. In addition, long delays can be expected between investment and reward with the likelihood of earnings being cyclical and dependent, to a large extent, on the world economy and demand for oil and gas, coal, metals, and forest products.

While the cyclical nature of the industry might make it seem less attractive, its redeeming feature is the unquestionable value of the underlying assets not only for their potential earning power, but also as a hedge against inflation and currency depreciation. The tangible assets held through Noranda and Westmin in the energy, mining and forestry sectors will maintain their real value irrespective of the short term swings in the marketplace for their products.

In our 1980 Annual Report we stated we would be prepared to increase our holding in Noranda because it provided a major position in one of the world's premier natural resources companies. Having accomplished this through the formation of Brascade in partnership with the Caisse, our belief in Noranda's future and potential for growth has never been stronger. Over time, it is our intention to increase our position in Noranda from the present effective 42% interest to approximately 50%.

We continue to encourage Westmin to expand its asset and equity base. Westmin did this in part through a \$100 million convertible preferred share issue in mid-1981. We are also continuing to study the feasibility of combining our holdings in Westmin and Brascade, Brascan's cornerstone company in the natural resources sector.

Consumer Products

The consumer products area provides Brascan with a reliable earnings base. When natural resources companies are experiencing low metal prices, people continue to consume beverages, eat food and use paper tissues and towels. Our holdings in Labatt and Scott are expected to provide an earnings base through steadily improving contributions to Brascan's income. To strengthen this position both Labatt and Scott are encouraged to actively investigate opportunities to maintain or establish themselves as low-cost producers.

During 1979 and 1980 Brascan made a variety of investments in the consumer products area. This was done to acquaint ourselves with those companies which looked promising. Following the identification of Scott as the most promising in the group, Brascan's other United

States consumer products positions were sold at a profit during 1981. Any further consumer products sector opportunities will be made available to Labatt or Scott.

Financial Services

The highly-leveraged nature of most financial services companies requires the investment of relatively small equity amounts in relation to the assets and activities of these companies. For that reason, Brascan's commitment to the financial services sector requires only a small portion of its invested funds. This sector is, however, very useful in keeping the Company attuned to the financial markets.

Working through Trilon Capital Corporation, Brascan's newly-formed holding company in the financial services sector, we hope to develop closer working relationships among London Life, Royal Trustco and Triarch Corporation. In this manner we hope to increase the financial access and flexibility of each of these companies for the benefit of all.

Other Operations

Although the restructuring of Brascan's Brazilian holdings reduced the reported carrying value of these investments to a small percentage of Brascan's total assets, our interests in the Brazilian real estate and natural resources sectors remain important and well structured for future growth. To utilize the large equity base of the Brazilian holding company, Brascan Brazil plans to establish cruzeiro denominated credit lines. The utilization of these funds combined with our strong historical associations in Brazil should ensure a continuation of the recent positive developments in the real estate and natural resources sectors.

Like Brascan Brazil, Great Lakes Power provides an historical link with the past when Brascan was one of the world's largest private utility operators. Brascan's only remaining involvement with utility operations is Great Lakes Power, and it is committed to increasing that company's generating capacity through the completion of the St. Mary's River Project and the development or upgrading of other water systems in the Sault Ste. Marie franchise area.



Review of Operations: Natural Resources

Brascade Resources Inc.: 70%

Brascade is presently a holding company whose main asset is a 42% interest in Noranda. In due course it is expected that Brascade will acquire other resource interests and become an operating company in its own right. As a step in this direction Brascan is actively pursuing the feasibility of combining its Westmin and Brascade holdings.

The acquisition of the major shareholding in Noranda and the restructuring and rapid development of Westmin provides Brascan with a well-diversified position in the natural resources sector. The following table illustrates the reserves of some of the natural resource properties in which Brascan has a beneficial interest, expressed in terms of one hundred Brascan common shares.

	Estimated beneficial interest per 100 Brascan shares
Metal in Ore Reserves	
Copper—lbs.	9,100
Zinc—lbs.	29,600
Lead—lbs.	8,000
Molybdenum—lbs.	210
Tin—lbs.	140
Silver—ozs.	360
Gold—ozs.	4.8
Energy Reserves	
Conventional oil—barrels	42
Gas—thousand cubic feet	2,710
Exploration land—net acres	10
Coal—long tons	1,071
Forest Products	
Owned timber—acres	3.4
Leasehold timber—acres	5.2

Naturally the present worth of Brascan's beneficial interest in the above resources is a function of the timing of their recovery, the respective prices then prevailing, dilution on extraction, costs of extraction and other financial variables. In addition to the above, Brascan's shareholders have beneficial interests in the smelters, refineries, mills and gas plants owned by the operating companies to process their ores, forest products and energy assets.

Brascan's attraction to natural resources stems from the fact that much of the vast area of North America is geologically favourable to minerals and oil and gas and cli-

matically favourable to forest products. North America continues to yield exciting natural resource discoveries. The last ten years have seen major oil and gas discoveries in the Overthrust Belt, the Anadarko and Williston Basins in the United States and the Beaufort Sea, West Pembina, Elmworth and Hibernia discoveries in Canada as well as many others of significant but lesser importance. This period has also seen large mining discoveries such as the Red Dog, Quartz Hill, Carr Fork and Hillsboro deposits in the United States and the Cirque, H-W, Detour Lake and the Saskatchewan uranium deposits in Canada. These continuing successes are encouraging and suggest that much of North America's and particularly Canada's resource potential still awaits discovery and development.

Ownership of natural resources also presents the opportunity to benefit from the processing of these assets through vertically integrated operations. The more stable earnings from smelting, refining and related manufacturing operations partially offset earnings fluctuations associated with the production of basic commodities.

The ownership of natural resource assets is a hedge against an uncertain future. For example, softwood timber prices have grown at a rate in excess of inflation in recent decades and the indications are that this situation will continue, due to overcutting. In order to take advantage of this opportunity, Brascan has positioned itself in major North American timber producers which either own or have the economic equivalent of ownership of large timberlands.

The current low level of economic activity has brought the price of many natural resources to levels substantially below that required to bring new production on stream. For example, in real terms the copper price required to ensure long-term continuity of supply is thought to be approximately 60% to 70% above the current producer price. As the world economies begin to recover, the effect on metal prices could be dramatic given the generally low level of metal inventories as a consequence of pre-vailing high interest rates.

In order to reduce North America's dependency on oil imports it will be necessary for oil production to be supplemented by output from heavy oil, tar sands, coal liquefaction and frontier areas. Through its extensive gas, heavy oil, coal and frontier acreage, Brascan is well-positioned to benefit from these developments.



Review of Operations: Natural Resources continued

Noranda Mines Limited: 42%

Noranda and its associated companies are engaged in four major areas of business: mining and metallurgy, oil and gas, manufacturing and forest products.

Summarized Financial Information

millions	1981	1980
Total assets	\$5,248.7	\$3,938.2
Shareholders' equity	2,869.4	2,001.0
Revenue	3,030.4	2,889.4
Net income	164.8	408.4
Earnings per share	1.33	4.06
Cash flow from operations	362.7	617.2

Adverse world economic conditions took a heavy toll on Noranda's earnings in 1981. Net earnings declined to \$164.8 million in 1981 from \$408.4 million in 1980. Excluding unusual items 1981 earnings were \$105.8 million compared with \$361.3 million the previous year. The earnings of both the mining and metallurgical and forest products divisions were severely impacted by the world recession; however, the earnings of the manufacturing division, though below the level of the previous year, were far better maintained than those of the other divisions.

Mining and Metallurgical

Mining and metallurgical earnings were \$15.8 million in 1981 compared with \$222.7 million in 1980. Poor metal prices and rising costs were the reasons for the decline, which was exacerbated by strikes at the Horne smelter and the Tara mine.

Notwithstanding the current low level of metal prices, Noranda has initiated several major mining and metallurgical projects. In November, Brunswick Mining and Smelting Corporation and Heath Steele Mines Limited announced plans for a \$360 million zinc reduction plant.

Oil and Gas

Production volumes in the Canadian Hunter joint venture in which Noranda has a 75% interest were up sharply in 1981. The joint venture's net gas production in 1981 was 33.8 billion cubic feet compared to 10.4 billion cubic feet in 1980. Production volumes achieved in 1981 have already placed Canadian Hunter amongst Canada's top

twenty gas producers, with the expectation that the Elsworth field will produce about 20% of Canada's requirements within the next few years. Having control over such a large quantity of natural gas offers the economies of scale to upgrade returns by extracting the natural gas liquids from the raw gas flows and selling these liquids separately at higher prices.

Forest Products

Forest products earnings in 1981, excluding a gain on the sale of British Columbia Forest Products, were \$21.1 million compared with \$74.2 million in 1980. The low level of forest products earnings was largely the result of poor lumber and panel products markets aggravated by a six-week strike in the B.C. forest industry.

In April Noranda acquired a 49% interest in MacMillan Bloedel, Canada's largest forest products company, for \$501 million in convertible preferred shares and \$193 million in cash. Noranda sold its 28% shareholding in British Columbia Forest Products in May for a \$76.7 million after tax profit.

Manufacturing

Manufacturing earnings in 1981 were \$58.6 million compared with \$84.2 million in 1980. A sharp drop in aluminum earnings in 1981 more than offset a strong performance by Canada Wire and Cable. During 1981 Noranda Aluminum embarked on a 60% expansion of its smelting capacity at an estimated capital cost of approximately \$314 million. Completion is expected during the latter half of 1982. During October Canada Wire and Cable acquired Carol Cables for \$168 million.

Corporate

In September Noranda redeemed \$142.3 million of the preferred shares previously issued as part of the consideration for the shares acquired of MacMillan Bloedel. In October Noranda issued 12.5 million common shares from treasury to Brascade for \$500 million in cash. Despite the poor earnings in 1981, Noranda's financial condition at year end was highly satisfactory.

Prior to October 1, 1981, Brascan accounted for its income on its Noranda investment on the basis of dividends received. Since October 1 Brascan has reflected its income from Noranda on the equity method basis.



Review of Operations: Natural Resources continued

Westmin Resources Limited: 84%

Westmin is a natural resource exploration and production company with interests in oil and gas, base and precious metals and coal properties.

Summarized Financial Information

millions	1981	1980
Total assets	\$353.0	\$244.8
Shareholders' equity	287.3	173.3
Revenue	106.1	94.7
Net income	32.9	31.9
Earnings per share	.58	.71
Cash flow from operations after mining exploration costs	58.2	56.1

Despite the adverse economic environment which prevailed during 1981 and the introduction of the petroleum and gas revenue tax, Westmin maintained its earnings at a satisfactory level. Earnings per share, however, declined from \$0.71 in 1980 to \$0.58 in 1981, due to the dividends on \$100 million of convertible preferred shares issued in May 1981.

Oil and Gas

Oil production during 1981 was 770,000 barrels compared with 695,000 barrels in 1980. Gas sales were 15.4 bcf in 1981, fractionally ahead of the previous year's level. Oil and gas volumes resulted in 1981 operating earnings of \$28.3 million compared to \$27.5 million in 1980, before the petroleum and gas revenue tax of \$3.5 million in 1981.

Westmin anticipates a major increase in cash flow and earnings starting in late 1982 as a result of the completion of a number of projects under its 1982 development and exploration budget of \$50 million, net of Petroleum Incentive Program grants. New contracts calling for greatly increased gas deliveries will come into effect later this year.

Westmin participated in the drilling of 168 exploration and development wells during 1981 and recorded a 73% success ratio. After allowing for production, gross proven and probable oil and natural gas liquids reserves increased to 74.5 million barrels from 11.6 million barrels in the preceding year, while proven and probable gas reserves increased to 501 bcf at the end of 1981 from 439 bcf at the end of 1980. The company's approximate 75 square miles of heavy oil holdings are now in the process of being developed and the recognition of successful

enhanced recovery techniques accounts for the large increase in oil reserves.

During the latter part of the year, Dome Petroleum reported encouraging results from its tests of the Kopanoar and Koakoak wells in the Beaufort Sea. The latter well is only a few miles north of a 290,000 acre block in which Westmin holds a 12% working interest.

Coal Properties

Westmin obtains revenue by leasing out portions of its extensive properties. Royalty revenues from coal and industrial mineral properties generated \$1.4 million during 1981 versus approximately \$0.9 million the previous year.

Westmin's recoverable freehold coal reserves in Western Canada exceed 400 million long tons. In addition, in 1981 Westmin acquired rights from the Crown on 211,000 acres in West Central Alberta overlying some four billion tons of underground mineable coal situated on rail approximately 70 miles from Edmonton.

Mining

The mining operations at Buttle Lake on Vancouver Island are currently in a period of transition. Revenues were insulated from depressed metal prices for most of the year due to forward sales during peak price periods in 1980. Mining division operating earnings, excluding Lacana Mining Corporation, were \$24.1 million in 1981 compared with \$25.1 million in the previous year.

The new shaft being sunk on the H-W orebody has passed the midway point of its 2,500 foot target depth. A 3,000 ton per day mill is presently envisaged which would triple the existing mill capacity.

The 1981 exploration program substantially increased drill-indicated and possible ore reserves of the H-W orebody. The orebody is still open to the east, west and south.

Westmin has an approximate 24% interest in Lacana which continued to obtain good results from its Mexican silver mines and its interest in the highly successful Pinson gold property in Nevada.

Corporate

Westmin sold \$100 million of convertible preferred shares in May 1981. The proceeds were used to retire long-term debt and to provide the company with a strong cash position. At year end 1981 Westmin had cash assets of \$63.3 million and was debt free.



Review of Operations: Consumer Products

Brascan's involvement in the consumer products area is confined to the non-durable area. Brascan finds this area attractive in that earnings and cash flows from these operations are far less cyclical than in the natural resources sector. An indication of the extent of Brascan's involvement in this area can be obtained by reference to the following table which shows Brascan's beneficial interests in the production capacities of Labatt and Scott expressed in terms of one hundred Brascan common shares.

	Estimated beneficial interest per 100 Brascan shares
Annual Production Capacity	
Beer - litres	1,375
Wine - litres	234
Milk - litres	1,717
Flour - lbs.	1,850
High fructose corn syrup - lbs.	160
Candy - lbs.	65
Tissue paper (U.S. and Canada only) - lbs.	1,700
Printing and publishing papers - lbs.	1,000

The ultimate stability of the consumer non-durable sector stems from the staple nature of most of the products. These products are purchased in similar quantities in good or bad times. While the consumer may switch to different price ranges for the same product category in response to economic conditions, most companies have several brands in different price ranges to provide for this.

While the consumer non-durable area enjoys relative stability of earnings and cash flows it is nevertheless growing in volume. North American growth is broadly linked to population and the resultant relatively lower growth has some important benefits. In the food and beverage area, for instance, cash flows generated by successful companies are relatively high compared with faster growing industries. In a lower growth environment

relatively less cash flow from operations is dedicated to plant expansions and increased working capital requirements. As a result, the cash flow after financing working capital and capital expenditure requirements is relatively high and is available for diversification.

This positive cash flow means that a mature consumer products company does not have to limit its growth to the population increase. It can realize higher volume growth by product or geographical diversification, through acquisition or by research and development leading to new product varieties which cater to different market segments. The cost of expanding capacity is relatively low compared to the natural resources sector where the cost of developing a new mine or smelter is many times greater.

In the consumer products area, the benefits to be gained by expansion into international markets can be very significant. About 27% of Scott's earnings are derived from outside North America where substantially less tissue is consumed on a per capita basis. As the affluence of these overseas economies increases, it is likely that tissue consumption will rise on a per capita basis.

Reference was made in the natural resources sector to the underlying assets which include forest products, metals and oil and gas. The equivalent in the consumer products area are the brand names which these companies have established. The consumer recognition attached to Labatt's *Blue*, *50*, *Laura Secord* and Scott's *Cottonelle*, *Scotties*, *Lady Scott* and *ScotTowels*, required a substantial investment in terms of marketing and product development costs. The established brand names provide considerable protection against the erosion of market positions and profit margins.

Brascan has a firm commitment to the consumer products sector for the reasons outlined above and expects its position in the sector to increase over time through the growth of Labatt and Scott.



Review of Operations: Consumer Products continued

John Labatt Limited: 41%

Labatt is a broadly based food and beverage company with interests in three major business areas: Brewing, Packaged Foods and Agri Products.

Summarized Financial Information millions	October 31	
	1981	1980
Total assets	\$ 895.7	\$ 686.8
Shareholders' equity	317.0	267.4
Total revenue	1,815.6	1,416.7
Net income	53.0	32.9
Earnings per share	4.01	2.56
Cash flow from operations	107.4	69.3

Gross sales for the 12-month period ended October 31, 1981 increased by 28% to \$1.8 billion from \$1.4 billion for the prior year. The earnings improvement was broadly based across the three operating groups but was particularly strong in Brewing, aided by industry volume recovery from strike-affected results last year and improved market share performance. The acquisition of Dominion Dairies in May 1981 significantly expanded the Agri Products Group operations and contributed to the overall improvement in results.

Brewing

The Brewing Group showed a large earnings improvement over the prior year's results which were adversely affected by labour difficulties in Alberta and British Columbia. Labatt's share of the Canadian beer market improved during this past year, assisted by the success of *Budweiser*. Exports to the United States produced improved volumes and earnings for the year despite a continuing tight competitive environment. Recently, Labatt rationalized its brewing facilities with the closure of two plants which had high production costs. Provision for an extraordinary loss on these plant closures impacted final net earnings by \$3.0 million or \$0.17 per share in 1981.

Packaged Food

Packaged Food Group earnings improved in all divisions over the relatively disappointing results of the prior year. Catelli benefitted from an expanded business base through recent acquisitions, while at Laura Secord and Chef Francisco improvements were achieved despite

generally poor markets. Wine operations in Canada showed good volume and earnings improvement. United States wine operations, however, continued to be adversely affected by unfavourable market conditions.

Agri Products

The Agri Products Group showed substantial earnings gains over the prior year. The purchase of Dominion Dairies, completed in May 1981, significantly expanded the Agri Products Group base of operations. Strong performance was achieved at Ogilvie Flour and Ault Foods reflecting volume growth, good export sales and, in the case of Ault, added business from acquisitions. At the starch and gluten division, a downturn in market conditions impacted unfavourably on results. Terra Foods, the new fresh mushroom operation, was completed during this year and is now in full production.

Partly-owned business results this year were unfavourably affected by the start-up of the Zymaize operation which began production in the summer of 1981. Zymaize earnings are influenced by the present low price of refined sugar and by the current high rates of interest. As a result, operating losses are anticipated in its initial year of operation. Over the longer term, prospects for Zymaize will improve as the plant reaches higher production levels and the market fundamentals become more positive. A major expansion to produce the higher concentrate sweetener used by the soft drink industry, is currently underway.

Corporate

During the year Labatt completed an \$80 million 11% convertible subordinated debenture issue. Of this issue, \$47 million was sold to the public and \$33 million was sold to Brascan thereby maintaining its 41% fully-diluted interest in Labatt. The net proceeds of this issue were used to reduce short-term indebtedness.

Labatt's business development is focused on upgrading its existing businesses and improving the balance of earnings among its three major operating groups. In addition to acquisitions, substantial investments have been made in new ventures such as the fresh mushroom operation and the Zymaize high fructose sweetener joint venture.



Review of Operations: Consumer Products continued

Scott Paper Company: 21%

Scott is the world's leading producer of sanitary tissue products. In addition, through its S.D. Warren Division, Scott is a major North American producer of printing and publishing papers. Scott also produces non-woven and other commercial products.

Summarized Financial Information

millions	1981	1980
Total assets	U.S.\$2,298.7	U.S.\$2,012.6
Shareholders' equity	1,287.6	1,114.0
Revenue	2,309.4	2,083.2
Net income	133.3	133.0
Earnings per share	3.22	3.41
Cash flow from operations	270.8	239.5

In 1981 Scott's sales reached a record U.S.\$2.3 billion, an 11% increase over the 1980 level. Income from operations in 1981 was the second highest in Scott's history registering a 36% gain over 1980 which was heavily strike impacted. In addition to the absence of strikes in 1981 domestic operations also benefitted from increased prices and higher volumes were recorded in all areas other than pulp and forest products. The increased income from operations was offset by a higher tax rate and reduced international earnings resulting in net income of U.S.\$133.3 million in 1981 compared with U.S.\$133.0 in the preceding year. Despite the comparatively unchanged net income, earnings per share were U.S.\$3.22 in 1981, a decline from the level of U.S.\$3.41 recorded in 1980 due to the increased number of shares outstanding.

Sanitary Paper Products

Strong competitive conditions prevailed in the United States consumer markets served by the Packaged Products Division with the result that price increases could not be initiated until late in 1981. Notwithstanding this, the Division increased its operating profits to U.S.\$97.4 million in 1981 from U.S.\$95.8 million in 1980. The Division had record sanitary paper volume in 1981 as well as the highest sales in its history. Lower lumber and log sales partially offset these increases.

Printing and Publishing Papers

The S.D. Warren Division achieved good volume gains and operating profits reached U.S.\$60.8 million in 1981 versus U.S.\$32.4 million in 1980. Overall volume in 1981

was substantially ahead of the strike depressed previous year and demand for Warren's coated commercial printing paper was buoyant. The majority of the largest United States companies now use Warren's high quality papers in their annual reports. This annual report is printed on Warren's Cameo Dull coated paper.

International Operations

Scott's earnings from international affiliates were U.S.\$36.0 million in 1981 versus U.S.\$44.2 million in 1980. Currency exchange fluctuations arising from a stronger U.S. dollar and a reduced earnings contribution from 13% owned British Columbia Forest Products were the main reasons for the decline. International earnings accounted for 27% of net income in 1981. The international sector is an important growth area for Scott in that overseas markets have the potential to grow much faster than the United States market.

Natural Resources

Scott is in the process of establishing its Natural Resources Division which is being given responsibility for the operations of Scott's woodlands and related timber activities, operation of pulp mills not integrated with paper making facilities, and oil, gas and mineral holdings.

Scott's timber holdings are substantial. In the United States, Canada and Brazil the company owns or operates 3.3 million acres of timberlands. The North American timber is located in Washington, Maine, the southern United States and Nova Scotia. These forests supply the equivalent of approximately 45% of Scott's pulp manufacturing requirements. In the aggregate the estimated annual growth of the timber exceeds the annual harvest.

Corporate

During 1981 Scott sold 3,650,000 previously-unissued common shares to Brascan for U.S.\$102.2 million. Scott's cash position was also enhanced by the sale to third parties of approximately U.S.\$50 million in tax benefits.

Capital spending was U.S.\$321.1 million in 1981 compared with U.S.\$252.4 million in 1980 and over the next four years should approximate U.S.\$1.3 billion. These expenditures are part of Scott's strategy to improve profitability by lowering manufacturing costs and by focusing on those market segments where Scott believes it has competitive advantages.



Review of Operations: Financial Services

Trilon Capital Corporation: 100%

Trilon is presently a wholly-owned subsidiary. Brascan intends to give consideration in conjunction with London Life to developing Trilon into a public financial services company with investments in life insurance, financial intermediary, trust and other financial services.

Brascan views the financial services area as an integral part of all business activity. As individuals, Canadians are substantial savers by world standards and the various services offered by the industry are therefore an important ingredient in the quality of life which is enjoyed.

Brascan is closely monitoring the many significant developments and changes taking place within the financial services marketplace in the United States as the barriers of tradition and legislation are presently under review and challenge. Developments within the United States are often forerunners of change in Canada. Because of the current state of flux in the United States financial services sector, Brascan for the time being is largely confining its activities to Canada until the outcome of the current restructuring becomes clearer.

For Canada to realize its potential, the substantial financial needs of its industry during the next decade must be filled. If the present financial services companies are to continue to meet the challenge which this implies, this will require either major injections of capital or a rethinking of the traditional methods of sharing risk and establishing adequate equity capital levels.

The proposed amendments to the legislation governing Canadian trust and loan companies should improve the competitive position of the trust industry. Among other things, trust companies will be allowed to engage in a greater degree of corporate lending and in the context of the anticipated strong demand for corporate funds this will be a positive development for the industry.

In the life insurance industry substantial opportunities exist for innovations in the manner in which funds are obtained and invested. In addition, considerable scope exists to design insurance packages to more closely fit current life styles and economic realities.

London Life Insurance Company: 56%

London Life is a Canadian life insurance and financial services company providing insurance and other benefit services.

Summarized Financial Information

millions	1981	1980
Total assets	\$4,200.2	\$3,860.1
Policyowners' and shareholders' equity	471.9	430.9
Premium and investment income	1,015.3	890.6
Net income attributable to shareholders	23.0	23.2
Earnings per share	46.05	46.43

New policy sales continued to increase over the year, favourably influenced by new products that the company introduced earlier in the year. Group and health insurance sales were strong throughout the year. Premium and investment income increased by 14% to exceed \$1.0 billion for the first time in the company's history. However, increases in policy benefits and reserve additions offset the strong increase in total income. Net income attributable to shareholders was \$23.0 million in 1981 compared to \$23.2 million in 1980. Earnings per share were \$46.05 in 1981, slightly below the level of \$46.43 achieved in 1980.

Total assets reached \$4.2 billion at year end, an increase of 8.8% from a year ago. The rate of growth in assets has been reduced by an increase in policy surrenders, and some increase in the withdrawal of policyowners' dividends left on deposit. This is the result of the prevailing high interest rates.

New sales of life insurance in 1981 increased to \$4.4 billion. At year end, total insurance in force for individual and group insurance was \$36.2 billion. London Life maintained the distinction of having the most individual life insurance in force in Canada with the increase in its portfolio to \$22.9 billion.

London Life pays more dividends to Canadian policyholders than any other insurance company and in 1981 participating policyholders received dividends totalling \$130.1 million compared with \$116.7 million in 1980. This represents an 11.5% increase over the amount paid in 1980 and is the highest amount paid in the company's history. Shareholders' dividends in 1981 increased to \$11.00 per share from \$8.00 per share in 1980.

Subsequent to the year end Brascan increased its direct and indirect interest in London Life from 39% to 56%.



Review of Operations: Financial Services continued

Royal Trustco Limited: 18%

Royal Trust provides a broad range of financial and related services in Canada and other countries. In Canada it operates the country's largest trust company business from coast to coast. Its principal Canadian operations include financial intermediary services, trust and fiduciary functions and real estate services.

Summarized Financial Information

millions	1981	1980
Total corporate assets	\$ 9,040.7	\$ 8,273.8
Total assets under administration	33,362.7	31,292.8
Shareholders' equity	345.0	324.5
Total revenue	1,448.2	1,137.6
Net income	39.4	37.5
Earnings per share	1.82	1.91

Notwithstanding a very difficult year for the industry, Royal Trust reported net income of \$39.4 million in 1981 a 5% increase over the previous year. Earnings per share declined by 5% in 1981 to \$1.82 due to a larger number of common shares outstanding. Higher earnings from trust and other fiduciary operations and the achievement of computer services profitability overcame lower earnings from financial intermediary services and a small loss on real estate operations.

Trust and other fiduciary services recorded net income of \$15.8 million in 1981, a 40% increase over the 1980 level. The volume of transactions combined with the selection of the company as depository for several takeover offers favourably influenced the corporate trust earnings particularly in the buoyant markets of the first half of the year.

Net income in the financial intermediary area declined to \$21.9 million in 1981 from \$26.6 million the previous year. Rising interest rates in 1981 had a more immediate effect on interest rates paid on short-term deposits than on the yield earned on offsetting investments.

Real estate operations recorded a \$0.3 million loss in 1981 compared with net income of \$1.8 million in 1980 due to a sharp decline in sales activity in the second half of 1981.

The company is continuing to match more of its demand deposits with floating rate securities; however, a significant improvement in the financial operations as well as the real estate area awaits a decline in interest rates.

Triarch Corporation Limited: 44%

Triarch is engaged in merchant banking, private placements and other financial services.

Summarized Financial Information

millions	1981	1980
Total assets	\$14.9	\$12.6
Shareholders' equity	5.6	4.4
Total revenue	2.7	3.4
Net income	0.8	0.6

Triarch's net income increased to \$0.8 million in 1981 from \$0.6 million in 1980. Over the past two years return on shareholders' equity has more than doubled to 17% in 1981. During the year Triarch adhered to its plan of liquidating its term lending portfolio and replaced the lost interest revenue with fees from its agency and merchant banking activities.

In 1981 Triarch's private placement volume totalled \$160 million and its income from this activity, together with fees from merger and acquisition services and management consulting doubled during the year.

In August 1981, Triarch purchased 45% of Blue Mountain Pottery Limited and subsequent to the year end successfully refinanced the operation. In December 1981 Triarch increased its interest in Canadian Venture Capital Corporation from approximately 19% to 100%. These transactions provide Triarch with direct or indirect control over nine manufacturing and service companies. The industries represented in the Canadian Venture Capital Corporation portfolio include automotive parts, aerospace components, ceramics, advertising, appliances and chemicals.

The tightening of bank credit is forcing some otherwise profitable companies which are overtrading on their working capital to seek equity funding. This situation presents Triarch with an opportunity to assist in the raising of this equity capital through private placement or by acquiring equity positions for its own account.

Triarch's goal in 1982 will be to increase the profitability of its operating companies, to acquire additional control positions in North American companies and to expand its private placement activities in Canada and the United States.



Review of Operations: Other

Great Lakes Power Group: 49%

Great Lakes Power generates and distributes hydro-electric power in the Sault Ste. Marie area of Northern Ontario and has other investment activities.

Summarized Financial Information

millions	1981	1980
Total assets	\$272.8	\$231.4
Shareholders' equity	168.5	156.4
Total revenue—utility	47.8	41.1
Net income—utility	5.9	5.1
Cash flow from operations—utility	12.6	14.6

Operating revenues for 1981 increased 16.3% over 1980 to \$47.8 million with a resulting similar effect on net income.

Average revenue per kilowatt-hour sold increased by 12.5%. Energy sales were 2.1 million kilowatt-hours, up 3.2% from 1980.

Despite generally weakening markets, demand from the company's main industrial customer continued strong during the year, with a 4.2% increase in kilowatt-hour use. Kilowatt-hour use by the Sault Ste. Marie municipality was the same as in 1980.

Purchased power for 1981 was 27.0% greater than in 1980 as a result of the water supply being below long-term average levels on the northern river systems and due to the fact that generation from the Sault plant was discontinued on October 1 to permit construction of the new plant. Great Lakes Power generation accounted for 45.1% of the total system power requirements during the year.

In 1981 capital expenditures amounted to \$36.4 million of which \$32.9 million related to the St. Mary's Redevelopment Project.

The new power station, expected to cost approximately \$113 million, will replace the now demolished 21 megawatt Sault station built in 1918 and will permit the use of Canada's full quota of water from the St. Mary's River. Construction work is progressing on schedule with plant completion forecast for the autumn of 1982.

In addition to its utility operations, the Great Lakes Power Group has an investment division whose investment activities complement and assist the financial requirements of the utility division.

Brascan Brazil: 49% to 100%

Brascan Brazil's major investments are in natural resources and real estate development. Other investment opportunities are being examined with a view to establishing a third area of investment to complement the two existing principal holdings.

Brascan Brazil's net equity by area of investment was as follows at December 31, 1981:

Equity Interest

millions	1981	1980
Real estate development	\$ 76.6	\$ 50.3
Natural resources	33.4	55.8
Consumer and industrial products	19.1	23.4
Other assets less liabilities	39.5	52.3
Total equity	\$168.6	\$181.8

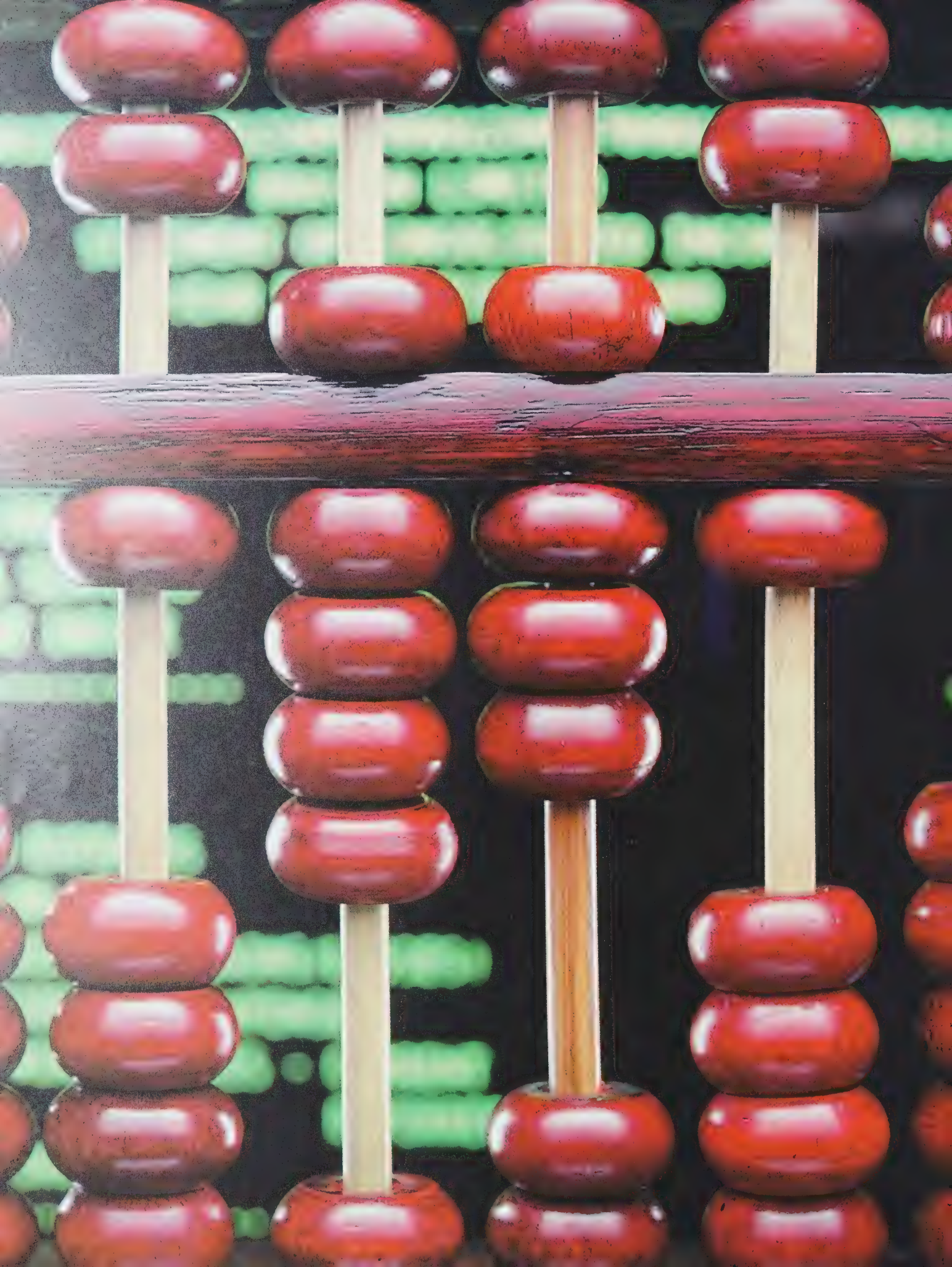
Brascan's accounts only reflect the equity in those Brazilian companies having registered capital and income from these investments is only recorded when dividends are received in dollars. Brascan Brazil recorded a profit of \$8.5 million in 1981 compared to a breakeven result in the previous year.

Brascan Imobiliária S.A., the rapidly expanding Brazilian real estate development company, initiated seven projects in 1981 in Rio de Janeiro and São Paulo involving 792 units. Brascan Brazil owns a 60% interest in the 500-room Intercontinental Rio Hotel and has assembled a substantial land bank for future residential and commercial development.

In November 1981, Brascan entered into a 50/50 joint venture with British Petroleum in the ownership of its approximate 99% shareholding of Brascan Recursos Naturais, the tin mining and smelting group, in order to expedite the development of its Brazilian resource base.

Embrasca, the 81,500 acre tree plantation venture with MacMillan Bloedel continues to make progress. Two small sawmills are currently operating and a study is underway to determine the most appropriate method for maximizing the return on these fast maturing timberlands.

Brascan Brazil also has an approximate 30% position in FNV, a metal fabricator and manufacturer of heavy equipment and a 42% interest in Swift-Armour, a cattle farming, meat processing and consumer products company which owns substantial prime farm land.




Management's Responsibility

To the Shareholders:

The attached financial statements have been prepared by the management of the Company which is responsible for their integrity and objectivity. To fulfil this responsibility, the Company maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs. The statements have been prepared utilizing the accounting principles, summarized in Note 1 (page 34) which we believe to be appropriate for the operations of the Company.

Touche Ross & Co., the auditors appointed by the shareholders have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report as auditors is set forth below.

The statements have been further examined by the Board of Directors and its Audit Committee. This Committee meets regularly with the auditors and management to review the activities of each and it reports to the Board of Directors. The auditors have direct and full access to the Audit Committee.



Robert A. Dunford
Senior Vice-President—Administration

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet of Brascan Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 10, 1982

Touche Ross & Co.
Chartered Accountants

Consolidated Balance Sheet

December 31

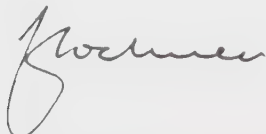
millions	1981	1980
Assets		
Cash and other investments	\$ 400.3	\$ 473.5
Debentures and loans receivable (note 2)	117.9	130.0
Corporate investments (note 3)	2,486.5	630.5
Property and equipment (note 4)	212.6	171.8
Other assets	48.9	39.2
	\$3,266.2	\$1,445.0
Liabilities		
Bank indebtedness	\$ 32.4	\$ 55.8
Accounts payable	42.4	36.8
Dividends and interest payable	39.4	18.6
Term debt (note 5)	952.3	328.8
Deferred income and mining taxes	44.0	49.8
Minority interest (note 3)	905.3	45.8
	2,015.8	535.6
Shareholders' equity		
Share capital (note 6)	520.1	218.2
Retained earnings	730.3	691.2
	1,250.4	909.4
	\$3,266.2	\$1,445.0

(See accompanying notes)

On behalf of the Board:



J. Trevor Eyton, Director



Jack L. Cockwell, Director

Consolidated Statement of Income

Years ended December 31

millions	1981	1980
Income by segment before unallocated expenses:		
Natural resources	\$ 53.9	\$ 71.0
Consumer products	49.0	12.0
Financial services	12.4	7.9
Investment and other income (note 3)	132.3	62.4
	247.6	153.3
Unallocated expenses:		
Interest on debt	119.3	41.3
General corporate expenses	6.6	5.7
Income and mining taxes	7.5	23.9
Minority interest	15.5	5.1
	148.9	76.0
Income before income tax recoveries	98.7	77.3
Income tax recoveries (note 8)	9.2	8.7
Net income for year	\$107.9	\$ 86.0
Earnings per share after preferred dividends		
Income before income tax recoveries	\$2.95	\$2.84
Income tax recoveries	.35	.33
Net income for year	\$3.30	\$3.17

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Years ended December 31

millions	1981	1980
Funds provided:		
Operations	\$ 67.6	\$ 86.8
Term borrowings	700.6	22.0
Preferred shares issued—net	298.1	
Minority interests	857.3	
Reduction in corporate investments	59.9	97.1
Reduction in debentures and loans receivable	13.8	11.6
Miscellaneous	13.7	5.4
	2,011.0	222.9
Funds used:		
Corporate investments—		
Natural resources	1,505.9	23.6
Consumer products	288.0	88.6
Financial services	78.2	11.9
Other	5.1	4.5
Expenditures on property and equipment	49.7	50.3
Reduction in term debt	68.2	2.8
Dividends declared	65.7	39.7
	2,060.8	221.4
Increase (decrease)	(49.8)	1.5
Cash and other investments, net of bank indebtedness		
Beginning of year	417.7	416.2
End of year	\$ 367.9	\$417.7

(See accompanying notes)

Consolidated Statement of Retained Earnings

Years ended December 31

millions	1981	1980
Balance, beginning of year	\$691.2	\$644.9
Net income for year	107.9	86.0
Share issue expenses	(3.1)	
	796.0	730.9
Dividends declared (note 7):		
Preferred	20.9	3.0
Ordinary	44.8	36.7
	65.7	39.7
Balance, end of year	\$730.3	\$691.2

(See accompanying notes)

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada and consistently applied.

Accounting for Investments

Consolidated Subsidiaries

The consolidated financial statements include the accounts of the Company and all companies over which it has voting control other than those operating in Brazil. The principal operating subsidiaries consolidated are:

% owned	1981	1980
Brascade Resources Inc.	70%	
Westmin Resources Limited	84	84%

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the lower of acquisition cost and estimated fair values at the date of purchase.

Corporate Investments

Investments outside Brazil in which significant influence exists are carried on the equity method. Equity in the income of these investments is based on income as reported by the investee adjusted for the difference between acquisition costs and the underlying net book value of investees' assets.

Brascan Brazil is carried at cost and represents the investment in those companies whose capital is registered under Brazilian foreign investment legislation. The investment in the company whose capital is not registered is not reflected in the financial statements. Income is recognized only when remitted in dollars. The common share interests in corporate investments are:

% owned	1981	1980
Natural Resources		
Noranda Mines Limited (1)	42%*	14%
Lacana Mining Corporation	24	23
Consumer Products		
John Labatt Limited	41	42
Scott Paper Company (2)	21	3

% owned	1981	1980
Financial Services		
London Life Insurance Company (12)	39	39
Royal Trustco Limited (3)	18	
Triarch Corporation Limited	44	51
Other		
Great Lakes Power Investments Limited	49	49
Brascan Brazil	49 to 100	99

*Fully diluted.

1. From October 1, 1981.

2. From April 1, 1981.

3. From July 1, 1981.

The accounting policies of investees are generally in accordance with those of Brascan Limited except in the areas of foreign currency translation and inventories and, in the case of London Life Insurance Company, where accounting policies are as prescribed or permitted by the Department of Insurance of Canada.

Other Investments

Other investments consist mainly of common and preferred shares and are carried at cost.

Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars as follows:

Monetary assets and liabilities and the carrying value (on the equity method) of the investment in Scott Paper Company at period-end rates of exchange;

Other assets and liabilities at historic rates of exchange;

Revenues and expenses at average rates of exchange for the period.

These procedures give rise to exchange translation gains and losses, the net amounts of which are included in income.

Petroleum Properties and Equipment

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized by cost centre until commencement of production and then amortized on the unit of production method over estimated proven reserves.

The cost of petroleum plant and equipment is depreciated based on production.

Mining and Mineral Exploration

Mineral exploration costs pertaining to individual mineral prospects (excluding hydro-carbons) are charged to income as incurred until an economic orebody is defined. Until commercial production begins, coal properties are carried at cost, less any amounts written off in recognition of a permanent decline in value.

The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on the unit of production method over the estimated life of the ore reserves.

2. Debentures and Loans Receivable

millions	1981	1980
Amounts denominated in United States dollars:		
Light-Serviços de Eletricidade S.A. 8% debentures and 8¼% loan	\$ 66.8	\$ 74.5
Brazilian government-guaranteed 6% notes	32.6	39.5
Other	18.5	16.0
	\$117.9	\$130.0

The amounts denominated in United States dollars are fully registered under the Brazilian foreign exchange control regulations for payment in U.S. dollars. The Company is obligated to reinvest \$24.5 million (1980—\$29.6 million) of the 6% notes in Brazil.

3. Corporate Investments

millions	1981	1980
Natural Resources		
Noranda Mines Limited	\$1,758.0	\$293.9
Lacana Mining Corporation	27.4	24.0
	1,785.4	317.9
Consumer Products		
John Labatt Limited	179.6	130.6
Scott Paper Company	299.2	30.5
	478.8	161.1
Financial Services		
London Life Insurance Company	47.2	40.3
Royal Trustco Limited	78.5	
Triarch Corporation Limited	2.5	2.5
	128.2	42.8
Other		
Great Lakes Power Investments Limited	49.6	47.6
Brascan Brazil	44.5	61.1
	94.1	108.7
	\$2,486.5	\$630.5

Additional investments were acquired in 1981 as follows:

	Acquisition cost	% acquired
Noranda Mines Limited	\$1,503.3	28%
Scott Paper Company	251.1	18
Royal Trustco Limited	78.5	18

In July 1981, the Company and the Caisse de dépôt et placement du Québec agreed to transfer their holdings in Noranda Mines Limited to Brascade Resources Inc. and to invest \$600 million cash in Brascade. On August 13 Brascade agreed to purchase 12.5 million common shares from the Noranda treasury for a cash consideration of \$500 million. The public offer for 10.0 million common shares and for 1.8 million convertible preferred shares of Noranda was closed on October 7, 1981 with the payment of \$287 million in cash and 7.8 million convertible preferred shares of Brascade Resources Inc. having a paid up value of \$311 million. As a result, Brascade holds a 42% interest in Noranda and the Caisse holds a \$450 million minority interest, representing 30% in Brascade.

Included in the carrying values of corporate investments on the equity method is \$383 million (1980—\$61 million) representing the remaining unamortized excess of acqui-

Notes to Consolidated Financial Statements continued

sition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of investees and is being amortized over the estimated useful lives of the assets.

In November 1981 an approximate 50% interest in Brascan Recursos Naturais was sold and the gain on this sale is included in investment and other income.

Registered capital of Brascan Brazil amounted to approximately \$30.0 million at December 31, 1981 (\$44.0 million at December 31, 1980).

4. Property and Equipment

millions	1981		1980	
	Cost	Accumulated depreciation and depletion	Net	Net
Petroleum	\$212.0	\$30.8	\$181.2	\$150.2
Mine	37.0	12.8	24.2	15.0
Coal properties and other	8.7	1.5	7.2	6.6
	\$257.7	\$45.1	\$212.6	\$171.8

5. Term Debt

millions	1981	1980
Promissory note	\$168.8	\$168.8
Term bank loans due 1982 to 1991	660.5	22.0
8¼% bonds due annually 1982 to 1987	16.0	17.3
8¾% loan due annually 1982 to 1988	35.6	35.8
8½% bonds due annually 1982 to 1988	39.5	51.9
9¾% notes due 1982	31.9	33.0
	\$952.3	\$328.8

The promissory note bears interest at the ninety-day bank rate and is due at the holder's option on ninety days' notice. Subsequent to the year end \$52.0 million became due on April 19, 1982.

Maturities (excluding the promissory note) during the next five years are as follows:

millions	
1982	\$146.5
1983	13.0
1984	47.1
1985	81.2
1986	94.8

6. Share Capital

Share capital consists of:

Authorized:

578	6% cumulative voting preference shares convertible into ordinary shares (1980-593)
Unlimited	1976 voting preferred shares issuable in series
Unlimited	1981 preferred shares issuable in series
Unlimited	Class A ordinary shares
Unlimited	Class B ordinary shares
5,000,000	Class C ordinary shares

millions	1981	1980
Issued and outstanding:		
578 6% preference shares (1980-593)	\$.1	\$.1
1,393,500 1976 8½% tax deferred preferred shares Series A	34.8	34.8
3,980,000 1981 \$2.6875 cumulative redeemable preferred shares Series A	99.5	
8,000,000 1981 floating rate cumulative redeemable preferred shares Series B and C	200.0	
28,759,442 Ordinary shares (1980-28,654,342)	210.9	208.5
	545.3	243.4
2,293,522 Ordinary shares (non-voting) held by a subsidiary	(25.2)	(25.2)
	\$520.1	\$218.2

(a) 1976 Preferred shares

The Series A and Series B 1976 preferred shares rank equally and are entitled to preference over the 1981 preferred shares and the ordinary shares on the declaration of dividends and on distribution or winding up.

The first series of preferred shares consists of 1,393,500 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A", and the second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A

share is convertible after April 15, 1988, into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders until 1988.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to \$25.00. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of \$1.00 per share reducing by \$0.25 annually to 1987 and at \$25.00 thereafter.

(b) 1981 Preferred shares

The Series A, B and C 1981 preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution or winding up and rank junior to the 1976 preferred shares.

The 1981 Series A preferred shares are retractable at the option of the holder at par on May 15, 1986 and are redeemable by the Company on or after that date at a premium of \$1.25 reducing by \$0.25 annually to 1991 and at \$25.00 thereafter. These shares are subject to a maximum quarterly purchase obligation at prices up to \$25.00 per share, cumulative annually and totalling 20,000 shares, to June 30, 1986 and thereafter to a quarterly maximum of 1%, 4% cumulative annually, of the number outstanding at May 15, 1986.

The 1981 Series B and Series C preferred shares are retractable at the option of the holder commencing June 30, 1986 and, are required to be redeemed on June 30, 1991. The shares are entitled to dividends at a floating rate equal to one half of the average prime commercial lending rate plus 1½%.

(c) Ordinary shares

number of shares	1981	1980
Class A convertible	26,207,267	25,868,567
Class B convertible	754,066	779,429
Class C convertible	1,798,109	2,006,346
Issued and outstanding	28,759,442	28,654,342
Less Class A convertible		
shares held by a subsidiary	2,293,522	2,293,522
	26,465,920	26,360,820

The Class A, B, and C ordinary shares rank equally in all respects except for the following:

Class A and Class B shares are fully inter-convertible at the option of the holder.

Dividends on Class B shares may be paid by way of stock dividend.

Class C shares are convertible into Class A shares at the option of the holder.

Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

The following Class A shares have been issued under the Company's share purchase plans:

	Number of shares	Average price
1981	105,000	\$22.52
1980	282,010	\$26.22

At December 31, 1981, interest-bearing loans to officers and directors under the Company's share purchase plans amount to \$8.1 million (1980—\$6.6 million).

Other changes in the number of Class A, B and C shares outstanding from year to year reflect shares issued upon the conversion of preference shares and conversions by the holders among the classes.

7. Dividends Declared

Ordinary dividends in 1981 represent \$1.70 per share and in 1980 represent \$1.40 per share.

8. Income Taxes

Income tax recoveries of \$9.2 million (1980 - \$8.7 million) which resulted primarily from the effect of Brazilian taxes paid on the sale of the Brazilian electric utility, have been included in income. Additional non-capital losses may be available to reduce such taxable income as may arise in the future.

Corporate tax returns of the Company have been examined by the authorities for years up to December 31, 1977 with no major adjustments to returns as originally filed. Examination of income tax returns for subsequent years, which include the results of significant dispositions by the Company, has yet to be completed.

Notes to Consolidated Financial Statements continued

9 Commitments and Contingencies

Great Lakes Power Investments Limited is constructing a hydro-electric generating plant at an estimated cost of \$113.2 million (including interest during construction) of which \$68.2 million has been expended to December 31, 1981. The Company has agreed to guarantee borrowings of Great Lakes Power Investments Limited amounting to an aggregate of \$152 million of which \$76.2 million has been drawn at December 31, 1981. These guarantees terminate when the new plant is commissioned and prescribed profit levels are achieved.

Other capital commitments outstanding as at December 31, 1981, were approximately \$20.0 million.

Subsequent to the sale of the Brazilian electric utility, two legal proceedings were initiated in 1979 in Brazil seeking to reverse the sale to Eletrobrás. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined, and upon judgment, the action was found to be without cause. The Plaintiff has, however, appealed this judgment. The Company and Eletrobrás have filed their arguments, supporting the basis of the initial judgment. The case will now be heard by the Federal Appeal Court. The Company is advised by its Brazilian counsel that the grounds on which the proceedings are based are without merit.

Based on the latest actuarial valuations of the various retirement plans covering most employees in Canada, there are no major unfunded obligations for past service costs.

10. Comparative Figures

Certain of the prior year's accounts have been restated to conform with the 1981 presentation.

The financial statements for the preceding year were examined by other Chartered Accountants.

11. Other Information

- (a) The directors have determined the classes of business of the Company on the basis of its principal

areas of investment - natural resources (petroleum and mining), consumer products and financial services.

- (b) Segmented information for consolidated natural resource operations:

millions	1981	1980
Gross operating revenue		
Petroleum (oil and gas)	\$ 54.6	\$ 49.0
Mining (base and precious metals)	41.0	41.0
	<u>\$ 95.6</u>	<u>\$ 90.0</u>
Income for the year	\$ 48.8	\$ 48.1
Identifiable assets at December 31	325.6	221.1
Capital expenditures for the year	48.6	49.7

- (c) Income before unallocated expenses has been determined after the following:

millions	1981	1980
Equity in income		
of corporate investments	\$ 38.2	\$ 21.6
Dividend income	38.0	25.8
Depreciation, depletion and amortization	8.3	7.7
	<u>1981</u>	<u>1980</u>

- (d) Interest on debt with a term of less than one year \$ 30.0 \$ 6.6
Deferred income taxes 3.8 19.0
Foreign exchange gains .1 1.4
- (e) The Company and certain of its affiliates arrange, without cost, investment transactions on behalf of other affiliates. In addition, financing transactions with affiliates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions by the Company and its affiliates.

12. Subsequent Events

On March 1, 1982 the Company announced purchases by an associated company of an additional 26% interest in Lonvest Corporation which owns 66% of the outstanding shares of London Life Insurance Company. As a result the Company and its associates have a 56% direct and indirect interest in London Life Insurance Company.

Head Offices of Principal Companies

Natural Resources

Brascade Resources Inc.

P.O. Box 48
Commerce Court West
Toronto, Ontario
Canada M5L 1B7
Tel. 416 363-9491
J. Trevor Eyton, Chairman
Marcel Cazavan, Deputy Chairman
Paul M. Marshall, President

Noranda Mines Limited

P.O. Box 45
Commerce Court West
Toronto, Ontario
Canada M5L 1B6
Tel. 416 867-7111
Alfred Powis, Chairman and President
Adam Zimmerman,
Executive Vice-President

Westmin Resources Limited

1800, 255 - 5th Avenue South West
Calgary, Alberta
Canada T2P 3G6
Tel. 403 266-8801

A. William Farnilo, Chairman
Paul M. Marshall, President and
Chief Executive Officer

Lacana Mining Corporation

P.O. Box 354
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1K7
Tel. 416 367-0840

William H. Gross, Chairman and
Chief Executive Officer
Edward G. Thompson, President

Consumer Products

John Labatt Limited

451 Ridout Street North
London, Ontario
Canada N6A 4M3
Tel. 519 673-5050
N. E. (Peter) Hardy, Chairman
Peter N. T. Widdrington, President and
Chief Executive Officer

Scott Paper Company

Scott Plaza
Philadelphia, Pennsylvania
U.S.A. 19113
Tel. 215 521-5000

Charles D. Dickey, Jr., Chairman
Philip E. Lippincott, President and
Chief Executive Officer

Financial Services

Trilon Capital Corporation

P.O. Box 48
Commerce Court West
Toronto, Ontario, Canada M5L 1B7
Tel. 416 363-9491
Ian Jamieson, President,
Financial Services
Mel M. Hawkrigg, Executive Vice-President,
Financial Services

London Life Insurance Company

255 Dufferin Avenue
London, Ontario
Canada N6A 4K1
Tel. 519 432-5281
Joseph Jeffery, Chairman
Earl H. Orser, President and
Chief Executive Officer

Royal Trustco Limited

Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, Ontario
Canada M5W 1P9
Tel. 867-2000

Kenneth A. White, Chairman
John M. Scholes, President and
Chief Executive Officer

Triarch Corporation Limited

Suite 1120
120 Adelaide Street West
Toronto, Ontario
Canada M5H 1V1
Tel. 416 364-2271
James F. C. Stewart, President and Chief
Executive Officer

Other Operations

Great Lakes Power Limited

P.O. Box 100
Sault Ste. Marie, Ontario
Canada P6A 5L4
Tel. 705 949-1378
Hugh L. Harris, President and
Chief Executive Officer

Brascan Brazil

Avenida Almirante Barroso
52 - 26 andar
Caixa Postal 4655
20.031 Rio de Janeiro, Brazil
Tel. 292-7781
Roberto Paulo Cezar de Andrade, President

Directors

Roberto Paulo Cezar de Andrade

Rio de Janeiro, Brazil
President
Brascan Brazil

Edward M. Bronfman

Toronto, Canada
Deputy Chairman
Edper Investments Limited

Peter F. Bronfman

Toronto, Canada
Chairman
Edper Investments Limited

Jack L. Cockwell*

Toronto, Canada
Executive Vice-President
Brascan Limited

Charles D. Dickey, Jr.

Philadelphia, U.S.A.
Chairman
Scott Paper Company

J. Trevor Eyton*

Toronto, Canada
President and Chief Executive Officer
Brascan Limited

A. William (Bill) Farmilo*

Calgary, Canada
Chairman
Westmin Resources Limited

John F. Gallagher

Chicago, U.S.A.
University Professor

J. Peter Grace

New York, U.S.A.
Chairman and Chief Executive Officer
W. R. Grace & Co.

James (Jim) F. Grandy

Ottawa, Canada
President
Reisman and Grandy Limited

Lewis (Lew) B. Harder

New York, U.S.A.
Chairman of the Board
International Mining Corporation

Norman E. (Peter) Hardy*

London, Canada
Chairman of the Board
John Labatt Limited

Patrick J. Keenan*

Toronto, Canada
Chairman
Keewhit Investments Limited

Frederic (Fred) Y. McCutcheon*

Toronto, Canada
President
Arachnae Management Ltd.

Harold P. Milavsky

Calgary, Canada
President and Chief Executive Officer
Trizec Corporation Ltd.

Earl H. Orser (Director-elect)

London, Canada
President and Chief Executive Officer
London Life Insurance Company

Jaime Ortiz-Patiño

Geneva, Switzerland
Chairman of the Board
Patiño, N.V.

Sam Pollock

Montreal, Canada
Chairman and President
Carena-Bancorp Inc.

Alfred (Alf) Powis

Toronto, Canada
Chairman, President and
Chief Executive Officer
Noranda Mines Limited

John A. Scrymgeour*

Hamilton, Bermuda
Chairman
Westburne International Industries Ltd.

Peter N. T. Widdrington

London, Canada
President and Chief Executive Officer
John Labatt Limited

* Executive Committee Member

Honorary Directors

William (Bill) G. Brissenden

Toronto, Canada

Edward (Ted) C. Freeman-Attwood

Rio de Janeiro, Brazil

Antonio (Toni) Gallotti

Rio de Janeiro, Brazil

Max Tanenbaum

Toronto, Canada

Officers

Peter F. Bronfman

Chairman of the Board

Jaime Ortiz-Patiño

Vice-Chairman of the Board

J. Trevor Eyton

President and Chief Executive Officer

Jack L. Cockwell

Executive Vice-President

Robert A. Dunford

Senior Vice-President—Administration

Lowell A. Allen

Vice-President and Secretary

Edward C. Kress

Vice-President and Controller

Duncan A. McAlpine

Vice-President—Corporate Affairs

Robert P. Simon

Vice-President and Treasurer

Ross R. Sutherland

Vice-President

Kathleen M. Campling

Assistant Treasurer

Wendy M. Cecil-Stuart

Director, Public Affairs

Frank N. C. Lochan

Director, Financial Services

Robert G. Yeoman

Director, Corporate Development

Corporate Information

Brascan Limited—Head Office

P.O. Box 48, Commerce Court West
Toronto, Ontario M5L 1B7
Tel. 416 363-9491 Telex 065 24254

Transfer Agents

National Trust Company, Limited
Toronto, Montreal, Vancouver,
Calgary, Winnipeg and Halifax

Citibank, N.A.
New York

Registrars

Canadian Imperial Bank of Commerce
Toronto, Montreal, Vancouver,
Calgary, Winnipeg and Halifax

Citibank, N.A.
New York

Annual Report

The text of this annual report is printed on Cameo Dull coated paper produced by S.D. Warren Company, a division of Scott Paper Company.

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited.



(incorporated under the laws of Canada)

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders of Brascan Limited (the "Corporation") will be held at Toronto 1 Room (Convention Floor), The Westin Hotel (formerly Hotel Toronto), 145 Richmond Street West, Toronto, Ontario, Canada, on Tuesday, May 12, 1981, at 11:00 a.m., Toronto time, for the following purposes:

1. To receive and consider the consolidated financial statements of the Corporation and its subsidiaries for the year ended December 31, 1980, together with the auditors' report thereon and the annual report to the shareholders;
2. To consider and, if thought fit, to confirm By-law 5, being a by-law to amend the general by-law of the Corporation to permit the appointment by the board of directors of honorary directors to act as advisers to the board of directors;
3. To elect directors;
4. To appoint auditors and authorize the directors to fix their remuneration;
5. To transact such further and other business as may properly come before the meeting or any adjournment thereof.

The accompanying Management Proxy Circular provides additional information relating to the matters to be dealt with at the meeting and is deemed to form part of this notice.

If you are unable to attend the meeting in person, you are requested to complete the enclosed form of proxy. An addressed envelope for the return of the proxy is enclosed. Proxies to be used at the meeting must be deposited with the Secretary of the Corporation before the close of business on May 8, 1981.

By Order of the Board

L. A. ALLEN
Vice-President and Secretary

Toronto, Ontario
April 16, 1981

MANAGEMENT PROXY CIRCULAR

This circular is furnished in connection with the solicitation by the management of Brascan Limited (the "Corporation") of proxies to be used at the annual and special meeting of shareholders of the Corporation (the "annual meeting") referred to in the accompanying notice of meeting to be held at the time and place and for the purposes set forth in such notice. The solicitation will be made primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation at nominal cost. The cost of the solicitation will be borne by the Corporation. The information contained herein is given as of March 25, 1981.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Corporation. **A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Corporation on or before May 8, 1981.**

A shareholder who has given a proxy has the power to revoke it as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy and may do so either: (1) by delivering another properly executed form of proxy bearing a later date to the Secretary of the Corporation on or before May 8, 1981; or (2) by depositing an instrument in writing executed by him or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized (i) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or (ii) with the Chairman of the meeting on the day of the meeting or any adjournment thereof.

EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed proxies in favour of the persons named in the enclosed form of proxy will be voted on any ballot that may be called for and where the person whose proxy is solicited specifies a choice with respect to the matter identified in item 2 in the notice of the meeting, the shares shall be voted in accordance with the specification so made. **In the absence of such specification, the shares will be voted in favour of the confirmation of By-law 5. On any ballot that may be called for in the election of directors or the appointment of auditors, such shares will be voted for the election of directors and the appointment of auditors as set forth under those headings in this circular or withheld from voting if so specified in the form of proxy.** The enclosed form of proxy confers discretionary authority with respect to amendments to the matters identified in the notice of meeting and with respect to other matters that may properly come before the annual meeting. At the date hereof, the management of the Corporation knows of no such amendments or other matters to come before the annual meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The following numbers of shares are entitled to be voted at the annual meeting: 23,620,558 Class A Convertible Ordinary Shares, 770,207 Class B Convertible Ordinary Shares, 1,393,500 Preferred Shares and 593 6% Preference Shares. Subject to the right of a shareholder to cumulate the votes attaching to the shares held by him in the election of directors, each of the Class A Convertible Ordinary Shares, Class B Convertible Ordinary Shares and Preferred Shares carries the right to one vote per share and each 6% Preference Share carries the right to eight votes per share.

The directors and officers of the Corporation do not know of any person beneficially owning or exercising control or direction over shares carrying more than 10% of the votes attached to shares of the Corporation, other than Edper Equities Limited ("Edper"), which beneficially owns or exercises control or direction over 12,509,400 Class A Convertible Ordinary Shares (the "Class A Shares"), representing approximately 49% of the outstanding shares entitled to be voted at the annual meeting.

The Corporation is advised that the common shares of Edper are owned as to 66% by Edper Resources Limited and as to 34% by Patino Canada Inc. Edper Resources Limited is a subsidiary of Edper Investments

Ltd., a private investment corporation, substantially all of the outstanding equity shares of which are owned by trusts, the beneficiaries of which are Messrs. E. M. Bronfman, P. F. Bronfman, and their respective families. Messrs. E. M. Bronfman, P. F. Bronfman, J. T. Eyton, and J. L. Cockwell, directors of the Corporation, among others are trustees of these trusts. Patino Canada Inc. is a wholly owned subsidiary of Patino, N.V., a Netherlands public company listed on the Toronto and Montreal Stock Exchanges.

CONFIRMATION OF BY-LAW 5

The directors consider it desirable to be able to appoint from time to time advisers to the board of directors who may be designated as honorary directors. Such appointments would be at the pleasure of the board. Accordingly, on March 10, 1981, the directors enacted By-law 5 which amends the provisions of By-law 1, the general by-law of the Corporation, to permit the appointment by the board of directors from time to time of not more than four advisers. A copy of By-law 5 accompanies this circular as Exhibit A. To be acted upon, By-law 5 requires the approval of a majority of the votes cast at the annual meeting. Subject to confirmation by the shareholders of By-law 5, the board of directors has appointed as honorary directors, until the next annual meeting, Dr. A. Gallotti and Mr. M. Tanenbaum, two members of the board of directors who are not eligible for re-election as directors by reason of the Corporation's policy regarding retirement age.

ELECTION OF DIRECTORS

The board of directors consists of 20 members, all of whom are elected annually.

The articles of the Corporation provide that each shareholder entitled to vote for the election of directors has the right to cast a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors to be elected and he may cast all such votes in favour of one candidate or distribute them among the candidates in any manner he sees fit and where he has voted for more than one candidate without specifying the distribution of his votes among such candidates, he shall be deemed to have divided his votes equally among the candidates for whom he voted.

On any ballot that may be called for in the election of directors, the persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled equally among all the proposed nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the shares be otherwise voted or withheld from voting in the election of directors.

If a shareholder desires to distribute his votes otherwise than equally among the nominees for whom he has directed the persons named in the enclosed form of proxy to vote, he must do so personally or by proxy at the annual meeting.

The following table sets out the name of each of the persons proposed to be nominated for election as a director to hold office until the next annual meeting of shareholders; all major positions and offices in the Corporation or any of its significant affiliates held by him; his principal occupation or employment; the year in which he was first elected a director of the Corporation; and the approximate number of shares of each class of shares of the Corporation that he has advised are beneficially owned or subject to control or direction by him at the date of this circular.

All of the persons named in the table below, except Dr. R. P. Cezar de Andrade and Mr. J. A. Scrymgeour, are now members of the board of directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the annual meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

	Became Director	Shares (Class A, unless otherwise noted)
DR. ROBERTO P. CEZAR DE ANDRADE, Rio de Janeiro, Brazil, Director, Vice-President and Chief Legal Counsel of Brascan Administração e Investimentos Ltda., an investment holding company	—	Nil

MATHE
 T. Lee
 Coon on
 Shares
 (Class A,
 unless
 otherwise
 noted)
 page 6

	Became Director	Shares (Class A, unless otherwise noted)
WILLIAM G. BRISSENDEN, Toronto, Canada, President of William G. Brissenden Inc., an engineering consulting company	1979	Nil
EDWARD M. BRONFMAN, Toronto, Canada, Deputy Chairman of Edper Investments Ltd., an investment holding company	1979	Nil(a)
PETER F. BRONFMAN, Toronto, Canada, Chairman of the Board of the Corporation; Chairman of Edper Investments Ltd., an investment holding company	1979	Nil(a)
JACK L. COCKWELL, Toronto, Canada, Senior Vice-President, Planning, of the Corporation; director of Triarch Corporation Limited	1979	50,000(a)
J. TREVOR EYTON, Q.C., Toronto, Canada, President and Chief Executive Officer of the Corporation; Chairman and director of Great Lakes Power Corporation Limited and Triarch Corporation Limited; director of Western Mines Limited	1979	85,000(a)
A. WILLIAM FARMILLO, Calgary, Canada, Executive Vice-President, Canada, of the Corporation; Chairman and director of Western Mines Limited and Great Lakes Power Corporation Limited	1974	20,000
EDWARD C. FREEMAN-ATTWOOD, Rio de Janeiro, Brazil, Executive Vice-President, Brazil, of the Corporation; President and director of Brascan Administração e Investimentos Ltda.	1973	20,010
JOHN F. GALLAGHER, Chicago, U.S.A., Vice-President, International Operations, Sears, Roebuck and Co., retail merchants	1965	600
J. PETER GRACE, New York City, U.S.A., President and Chief Executive Officer of W. R. Grace and Co., a company with world-wide interests in chemicals, natural resources and selected consumer services	1959	1,597
JAMES F. GRANDY, Ottawa, Canada, President of Reisman and Grandy Limited, management consultants	1978	Nil
LEWIS B. HARDER, New York City, U.S.A., Chairman of the Board of International Mining Corporation, a mining, refining and metal fabrication company	1965	300
NORMAN E. HARDY, London, Canada, Chairman of the Board of John Labatt Limited, a food and beverage company	1970	1,000
PATRICK J. KEENAN, Toronto, Canada, President and Chief Executive of Patino, N.V., a mining company; director of Great Lakes Power Corporation Limited and Western Mines Limited	1979	Nil
FREDERIC Y. MCCUTCHEON, Toronto, Canada, President of Arachnae Management Ltd., a management consulting company	1979	Nil
HAROLD P. MILAVSKY, Calgary, Canada, President and Chief Executive Officer of Trizec Corporation Ltd., a real estate company	1979	2,000

	Became Director	Shares (Class A, unless otherwise noted)
JAIME ORTIZ-PATINO, Geneva, Switzerland, Vice-Chairman of the Board of the Corporation; Chairman of the Board of Directors of Patino, N.V., a mining company	1979	Nil
SAM POLLOCK, Montreal, Canada, Vice-President of Carena-Bancorp Holdings Inc., an investment holding company	1979	17,000
JOHN A. SCRYMGEOUR, Hamilton, Bermuda, Chairman of the Board of Westburne International Industries Ltd., a petroleum serv- ice and equipment supply company	—	1,000
PETER N. T. WIDDRINGTON, London, Canada, President and Chief Executive Officer of John Labatt Limited, a food and beverage company	1977	100(b)

(a) For shareholdings in the Corporation and Edper, which are beneficially owned or subject to control or direction by Messrs. E. M. Bronfman, P. F. Bronfman, J. T. Eyton and J. L. Cockwell, reference is made to "Voting Shares and Principal Holders Thereof" on page 2.

(b) Mr. P. N. T. Widdrington also owns 600 8½% Series A Preferred Shares.

Dr. R. P. Cezar de Andrade and Mr. J. A. Scrymgeour have held the principal occupation noted after their respective names for the five years preceding the date of this circular.

DIRECTORS' AND OFFICERS' REMUNERATION

The following table shows aggregate remuneration paid or payable by the Corporation and each of its subsidiaries in 1980 to directors and separately to officers who received in excess of \$40,000:

	Nature of remuneration earned					
	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Others	Total
Remuneration of Directors						
(A) Number of Directors: 20						
(B) Body Corporate incurring the expense:						
Brascan Limited	\$189,325	—	—	—	—	\$ 189,325
Remuneration of Officers						
(A) Number of Officers: 14						
(B) Body Corporate incurring the expense:						
Brascan Limited	—	\$1,133,113	—	—	—	\$1,133,113
Brascan Administração e Investimentos Ltda.	—	—	—	—	\$17,537*	\$ 17,537
	<u>\$189,325</u>	<u>\$1,133,113</u>	<u>—</u>	<u>—</u>	<u>\$17,537</u>	<u>\$1,339,975</u>

*Consisting of accommodation and living allowance.

There was no cost to the Corporation or its subsidiaries in 1980 for pension benefits proposed to be paid to the persons referred to in the table above under the pension plans of the Corporation in the event of retirement at normal retirement age.

The aggregate of all remuneration payments made by the Corporation and its subsidiaries in 1980 to the persons referred to in the table above, other than those payments and benefits referred to above, was \$25,128. The estimated actuarial cost at December 31, 1980 of amounts payable in the future by the Corporation and its subsidiaries to certain of its officers in respect of their retirement, in addition to their normal pension benefits, is \$207,980.

In 1979, the Corporation entered into a contract with a firm owned by Dr. A. Gallotti, a director of the Corporation, for the provision of legal and consulting services to the Corporation and its subsidiaries in Brazil. Pursuant to such contract, the cruzeiro equivalent of \$254,281 was paid in 1980. Future payments under the contract are estimated at the cruzeiro equivalent of \$560,000 over the remaining nine year term of the contract.

Since January 1, 1980, officers of the Corporation have subscribed for Class A Shares under the employee share purchase plans of the Corporation as follows:

Class A Shares subscribed for	Date of allotment	Price per share	Price Range in preceding 30 day period	
			High	Low
233,000	March 6, 1980	\$25.92	\$30	\$24¼
14,000	November 18, 1980	31.11	37⅞	33⅞

INDEBTEDNESS TO THE CORPORATION

As of the date of this circular, Messrs. E. C. Freeman-Attwood, R. A. Dunford, D. A. McAlpine and R. P. Simon, officers of the Corporation, are indebted to the Corporation on account of housing loans bearing interest at the rate of 4% per annum in the amounts of \$86,914, \$10,094, \$40,425 and \$24,368, respectively. The largest aggregate amount of such loans since January 1, 1980 was \$86,914, \$10,852, \$43,486 and \$26,300, respectively.

Since January 1, 1980, the Corporation has made loans to certain of its officers in connection with the purchase of Class A Shares of the Corporation pursuant to the Executive Share Purchase Plan of the Corporation. The loans bear interest at a rate equal to the amount of cash dividends paid by the Corporation on such shares while the loans are in effect. The names and positions of the recipients of such loans and the aggregate amount loaned to each of them, which is also the amount presently outstanding, are as follows:

J. T. Eyton, President and Chief Executive Officer, \$2,203,200; A. W. Farmilo, Executive Vice-President, Canada, \$518,400; E. C. Freeman-Attwood, Executive Vice-President, Brazil, \$518,400; J. L. Cockwell, Senior Vice-President, Planning, \$1,296,000; R. A. Dunford, Senior Vice-President and Chief Legal Officer, \$570,300; W. R. Miller, Senior Vice-President and Chief Financial Officer, \$518,400; R. F. Lewarne, Vice-President, \$129,600; L. A. Allen, Vice-President and Secretary, \$103,680; E. C. Kress, Vice-President and Comptroller, \$155,520; D. A. McAlpine, Vice-President, Corporate Affairs, \$129,600; R. P. Simon, Vice-President and Treasurer, \$279,960; R. R. Sutherland, Vice-President, \$51,840.

In addition, as of the date of this circular, Messrs. R. F. Lewarne and R. R. Sutherland, officers of the Corporation, are indebted to the Corporation on account of loans bearing interest at the rate of 8% per annum made in accordance with the employee share purchase plan of the Corporation in the amounts of \$67,151 and \$7,614, respectively. The largest aggregate amount of such loans since January 1, 1980 was \$83,014 and \$11,210, respectively.

Except as noted above, no officer, director, proposed nominee for election as a director or associate of such person has been indebted to the Corporation at any time since January 1, 1980.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation provides directors' and officers' liability insurance with a current annual policy limit of \$10,000,000 subject to a corporate deductible of \$100,000 per loss. Under this insurance coverage the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its officers and

directors, and individual directors and officers are reimbursed for losses arising during the performance of their duties, subject to a deductible of \$10,000 per loss for each director and officer. Protection is provided to directors and officers for acts, errors or omissions done or committed during the course of their duties as such. This insurance excludes from coverage illegal acts and those acts which result in personal profit. In 1980, the portion of premium in respect of directors' and officers' liability insurance allocated to directors as a group was \$38,098 and to officers as a group was \$23,555, all of which was paid by the Corporation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On October 31, 1980 the Corporation purchased from Patino, N.V. and a subsidiary thereof approximately 96% of the outstanding common shares of Companhia Estanifera do Brasil, a Brazilian tin mining company, for the sum of U.S. \$32,500,000. Messrs. J. Ortiz-Patino, F. Y. McCutcheon and W. G. Brissenden, directors of the Corporation, own directly or indirectly approximately 31%, 5% and 2%, respectively, and Mr. P. J. Keenan, also a director of the Corporation, and his associates, own directly or indirectly, approximately 16% of Patino Mining, N.V. which in turn is the owner of approximately 94% of Patino, N.V. Except as set out above, the Corporation is not aware of any material interest of any director or officer of the Corporation or of any person who owns more than 10% of the voting shares of the Corporation or of any associate or affiliate of the foregoing persons in any transaction since January 1, 1980 or in any proposed transaction that in either case has materially affected or will materially affect the Corporation or any of its affiliates.

NOTICE OF CHANGE AND APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote the shares represented by such proxy in favour of a resolution appointing Touche Ross & Co., Chartered Accountants, Toronto, Ontario, as auditors of the Corporation, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration of the auditors, unless the shareholder who has given such proxy has directed that the shares be withheld from voting in the appointment of auditors. Touche Ross & Co. are the auditors of the largest shareholder of the Corporation and of corporations associated with that shareholder. Taking this into account, management considers it appropriate and in the best interests of the Corporation to recommend to the shareholders that they make this appointment.

The proposal to change the auditors of the Corporation was not considered by the audit committee of the board. The decision to recommend a change in the auditors of the Corporation was made by the board of directors on March 10, 1981, and was not contrary to any recommendation of the audit committee.

Clarkson Gordon, Chartered Accountants, Toronto, Ontario, were the auditors of the Corporation appointed at the last annual meeting of shareholders and their term of office expires at the annual and special meeting of shareholders to be held on May 12, 1981. There have been no disagreements with Clarkson Gordon in connection with the audits of the two most recent fiscal years of the Corporation or any subsequent period, and there have been no adverse or qualified opinions or denials of opinions contained in the auditors' reports on the annual financial statements for such fiscal years, or any similar reservation contained in any auditors' report or comments on interim financial information for any subsequent period. A copy of the letter from Clarkson Gordon to the Administrators of the various Securities Commissions indicating their agreement with the information contained above is attached as Exhibit B to this circular.

Clarkson Gordon have been appointed as auditors of the Corporation for each of the preceding five years and were first appointed as auditors of the Corporation on September 15, 1915. The Corporation is greatly appreciative of the services performed by Clarkson Gordon during their term as the auditors of the Corporation.

OTHER BUSINESS

The Corporation knows of no matter to come before the annual meeting of shareholders other than the matters referred to in the notice of meeting.

The contents and sending of this circular have been approved by the directors of the Corporation.

L. A. ALLEN
Vice-President and Secretary
March 25, 1981

EXHIBIT A

Brascan Limited

BY-LAW 5

**a by-law amending By-law 1, the
general by-law of the Corporation**

BE IT ENACTED as a by-law of the Corporation as follows:

1. By-law 1 is hereby amended by adding thereto as Section 5A the following:

“5A. Honorary Directors. The board may from time to time appoint one (1) or more but not exceeding four (4) advisers to the board who may be designated as honorary directors. The term of appointment of any such adviser shall be such as the board may from time to time determine, but the board may at any time revoke such appointment. Advisers so appointed may attend meetings of the board of which notice is given to them but shall not form part of any quorum for meetings of the board and shall not be entitled to vote thereat or, as such advisers, to act in any way on behalf of the Corporation. The provisions of Section 5 shall apply, mutatis mutandis, to advisers so appointed.”

EXHIBIT B

Clarkson Gordon

Chartered Accountants

P.O. Box 251
Toronto-Dominion Centre
Toronto, Canada M5K 1J7
(416) 864-1234

April 3, 1981

To the Administrators
of the various Securities Commissions
and other regulatory authorities
in the provinces of Canada.

Dear Sirs,

We have read the notice dated April 3, 1981 relating to the appointment of auditors of Brascan Limited at the Annual and Special Meeting of its Shareholders to be held on May 12, 1981, as well as the additional related material contained on page 7 of the Information Circular of Brascan Limited dated March 25, 1981 in connection with the Meeting. We are in agreement with the information contained in the notice and in the additional related material contained on page 7 of the Information Circular.

Yours faithfully,

Clarkson Gordon

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER, AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

New Issue

AR29

Brascan
LIMITED

\$100,000,000

(4,000,000 Shares)

\$2.6875 Cumulative Redeemable 1981 Preferred Shares Series A

Fixed cumulative preferential cash dividends at the rate of \$2.6875 per annum will accrue from the date of issue and be payable quarterly to the holders of the 1981 Series A Preferred Shares, the first dividend to be payable on August 15, 1981. The 1981 Series A Preferred Shares will not be redeemable prior to May 15, 1986.

Retraction Privilege and Conversion into Further Series

Pursuant to the retraction provisions of the 1981 Series A Preferred Shares, Brascan will on May 15, 1986, redeem at a price of \$25 per share plus accrued and unpaid dividends all 1981 Series A Preferred Shares tendered to it for redemption on or before April 15, 1986.

Brascan may elect on or before March 15, 1986 to create a further series of 1981 Preferred Shares into which the 1981 Series A Preferred Shares would be convertible at the holder's option on a share for share basis during a conversion period commencing no later than the retraction date and ending no earlier than six months after the retraction date.

Applications have been made to list the 1981 Series A Preferred Shares on the Montreal, Toronto and Vancouver Stock Exchanges. Acceptance of the listings will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

In the opinion of counsel, the 1981 Series A Preferred Shares will be eligible investments under the Canadian and British Insurance Companies Act and certain other statutes as set out under "Eligibility for Investment".

Price: \$25 per share to yield 10.75% per annum.

We, as principals, conditionally offer the 1981 Series A Preferred Shares, subject to prior sale if, as and when issued by Brascan and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution".

	Price to Public	Gross Proceeds to Brascan	Underwriters' Fee	Net Proceeds to Brascan(2)
Per Share (2,000,000 shares)	\$25.00	\$25.00	\$0.75	\$24.25
Per Share (2,000,000 shares)(1)	\$25.00	\$25.00	\$0.125	\$24.875
Total	\$100,000,000	\$100,000,000	\$1,750,000	\$98,250,000

(1) A reduced underwriters' fee is payable with respect to 2,000,000 of the 1981 Series A Preferred Shares for which orders from certain corporations are being arranged with the assistance of Brascan.

(2) Before deduction of expenses of issue estimated at \$300,000 which, together with the underwriters' fee, will be paid from the general funds of Brascan.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates representing the 1981 Series A Preferred Shares will be available for delivery on or about May 14, 1981.

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ELIGIBILITY FOR INVESTMENT

In the opinion of counsel, the 1981 Series A Preferred Shares will be eligible investments at the date of issue, without resort to the so-called "basket" provisions but subject to general investment provisions:

- (i) for insurance companies registered under the Canadian and British Insurance Companies Act (Canada) and the Foreign Insurance Companies Act (Canada), for insurance companies licensed under The Insurance Act (Ontario) and defined in section 382 of that Act, and for insurance companies other than mutual associations regulated under An Act respecting insurance (Quebec);
- (ii) for loan companies regulated under the Loan Companies Act (Canada) and trust companies regulated under the Trust Companies Act (Canada) and for loan corporations and trust companies registered under The Loan and Trust Corporations Act (Ontario); and
- (iii) for pension funds registered under the Pension Benefits Standards Act (Canada), The Pension Benefits Act (Ontario) and An Act respecting supplemental pension plans (Quebec).

In the opinion of counsel, the 1981 Series A Preferred Shares will also be qualified investments at the date of issue for registered retirement savings plans and for registered home ownership savings plans under the Income Tax Act (Canada).

All dollar amounts in this prospectus are in Canadian dollars unless expressly indicated otherwise. Brascan manages its affairs in order to match as nearly as possible foreign currency assets and liabilities. Reference is made to notes 1 and 2 to the consolidated financial statements for a discussion of foreign currency translation and foreign currency presentation.

The noon rate of exchange quoted by the Bank of Canada on April 21, 1981, for United States dollars was U.S. \$1 = Can. \$1.1936.

PROSPECTUS SUMMARY

The Issuer

Brascan is a Canadian investment management company with interests in three principal areas: natural resources, consumer products and financial services.

Selected Consolidated Financial Information

(millions except per share amounts)

	Year ended December 31	
	1980	1979
Total assets.....	\$1,455.1	\$1,291.1
Shareholders' equity.....	909.4	855.7
Income (before extraordinary items).....	77.3	36.4
Per Ordinary Share.....	2.84	1.28

Description of the Offering

Amount:	\$100,000,000 (4,000,000 1981 Series A Preferred Shares).
Issue Price:	\$25.00 per share to yield 10.75% per annum.
Delivery Date:	May 14, 1981.
Dividends:	\$2.6875 per annum payable quarterly on the 15th day of February, May, August and November. Assuming an issue date of May 14, 1981 an initial dividend of \$0.68 will be payable on August 15, 1981.
Retraction Privilege and Conversion Into Further Series:	Retractable at the option of the holder on May 15, 1986, at a price of \$25.00 per share plus all accrued and unpaid dividends. Brascan may elect on or before March 15, 1986 to create a further series of 1981 Preferred Shares into which the 1981 Series A Preferred Shares would be convertible on a share for share basis during a conversion period commencing no later than the retraction date and ending no earlier than six months after the retraction date.
Purchase Obligation:	Brascan will make all reasonable efforts to purchase, at a price not exceeding \$25.00 per share plus accrued and unpaid dividends and costs of purchase in each calendar quarter (cumulative during a calendar year only): (i) during the period from July 1, 1981 to June 30, 1986, 20,000 1981 Series A Preferred Shares (2% per year of the original issue); and (ii) thereafter 1% (4% per year) of the number of 1981 Series A Preferred Shares outstanding at the close of business on May 15, 1986.
Redemption:	Not redeemable before May 15, 1986. On or after May 15, 1986, redeemable at the option of Brascan at prices declining from \$26.25 to \$25.00 in 1991 and thereafter, plus accrued and unpaid dividends.
Priority:	The 1981 Series A Preferred Shares are the first series of 1981 Preferred Shares, will rank on a parity with all other series of 1981 Preferred Shares (including the proposed 1981 Series B Preferred Shares) and will rank prior to Brascan's Ordinary Shares and junior to its Six per Cent Cumulative Preference Shares and 1976 Preferred Shares.

Pro Forma Coverages

Dividend Coverages (12 months ended December 31, 1980):

Dividend requirements on all Brascan preferred shares including the 1981 Series A Preferred Shares.....	5.62 times
Dividend requirements (grossed-up) on all preferred shares and interest requirements on long-term debt.....	2.21 times

Asset Coverages (as at December 31, 1980):

Asset coverage of the 1981 Series A Preferred Shares:	
– before deducting deferred income taxes.....	10.22 times
– after deducting deferred income taxes.....	9.72 times
Asset coverage of all preferred shares and long-term debt:	
– before deducting deferred income taxes.....	2.92 times
– after deducting deferred income taxes.....	2.82 times

This is a summary only and should be read in conjunction with the more detailed information and financial statements appearing elsewhere in this prospectus.

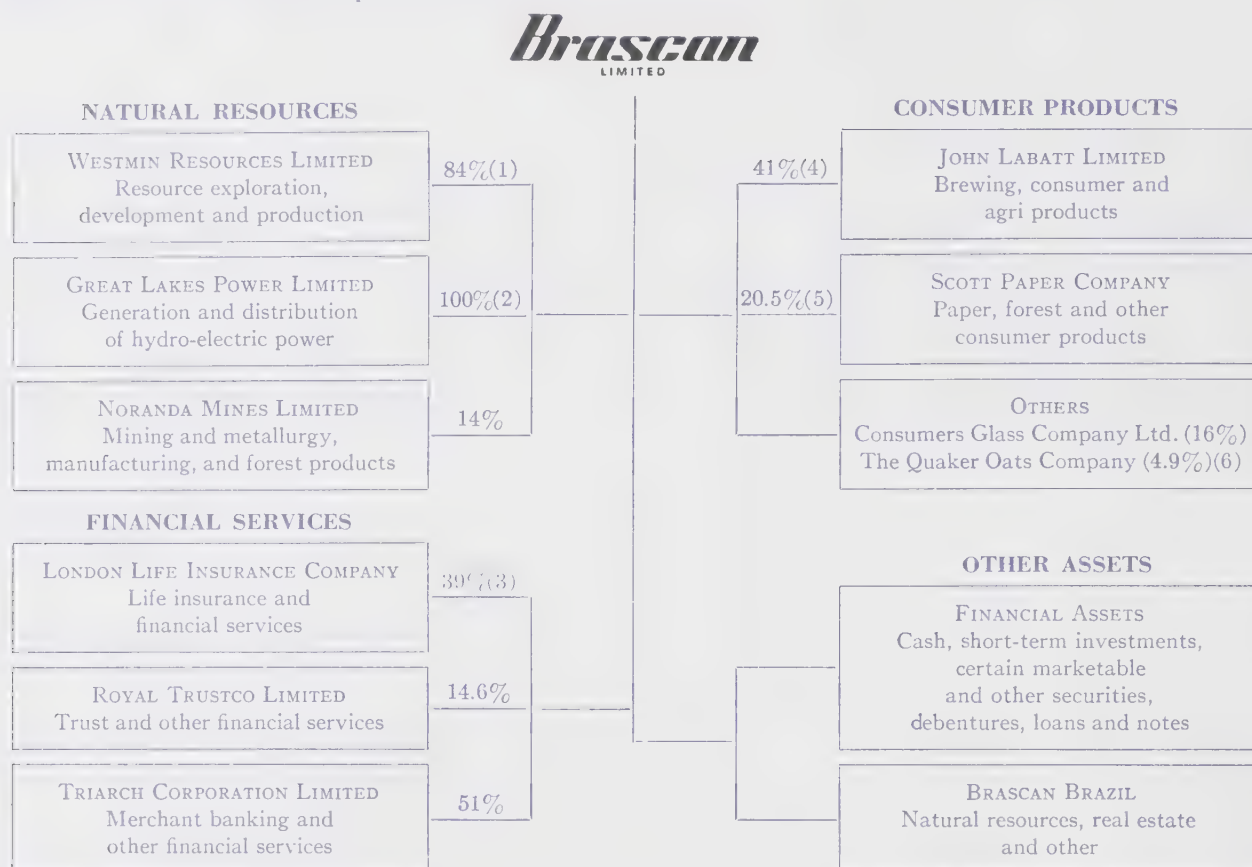
BRASCAN LIMITED

Brascan Limited ("Brascan") is a Canadian investment management company. Brascan was incorporated as Brazilian Traction, Light and Power Company, Limited under the laws of Canada by Letters Patent dated July 12, 1912. By Supplementary Letters Patent dated June 23, 1969, the name was changed to its present form. Brascan was continued under the Canada Business Corporations Act by certificate and articles of continuance dated May 22, 1980. Brascan has filed articles of amendment and obtained a certificate dated March 11, 1981 creating a new class of preferred shares (the "1981 Preferred Shares"). The registered office of Brascan is located at Suite 4800, Commerce Court West, Toronto, Ontario, M5L 1B7.

Unless otherwise indicated by the context, references to the "Company" mean Brascan and its subsidiaries.

CORPORATE STRUCTURE

The following chart shows the Company's principal areas of investment and percentage of equity interest therein (reference is made to "Subsidiaries and Associated Companies of Brascan" for a list of Brascan's subsidiaries and associated companies as at December 31, 1980):



- (1) The Company also holds \$75 million of Class A Preferred Shares of Westmin Resources Limited. An additional \$25 million of Class A Preferred Shares are held by Great Lakes Power Investments Limited. The Class A Preferred Shares are non-voting except in limited circumstances and are entitled to cumulative dividends at a rate based on the prime rate of two Canadian chartered banks. At a special meeting held March 26, 1981, the shareholders of Western Mines Limited authorized the change of the name of the company to "Westmin Resources Limited" and the creation of a new class of preferred shares (the "Class B Preferred Shares"). A prospectus dated April 14, 1981 has been filed offering 4,000,000 Class B Preferred Shares Series 1 convertible into common shares, with an aggregate issue price of \$100 million. These shares will be convertible on or before May 1, 1988 on the basis of 1.695 common shares for each preferred share. If all these preferred shares were converted the Company's interest in Westmin Resources Limited would be reduced to approximately 70%.
- (2) The Company owns 100% of the common shares (carrying 49% of the votes) of Great Lakes Power Investments Limited which owns 100% of the outstanding shares of Great Lakes Power Limited. Third parties own preferred shares of Great Lakes Power Investments Limited carrying 51% of the votes.
- (3) The Company owns 37% of the voting shares of Lonvest Corporation which owns 66% of the outstanding shares of London Life Insurance Company. In addition the Company owns directly 15% of the outstanding shares of London Life Insurance Company. The direct and indirect holdings give the Company a 39% interest in the equity of London Life Insurance Company.
- (4) Approximately 38% on a fully diluted basis. John Labatt Limited filed a preliminary prospectus dated April 14, 1981 respecting the proposed offering of convertible subordinated debentures convertible into common shares. The Company has agreed to purchase additional convertible subordinated debentures sufficient to maintain its present degree of ownership.
- (5) Reference is made to item 8 under the heading "Material Contracts".
- (6) On April 9, 1981 the Company sold an option on its interest in The Quaker Oats Company. Reference is made to "The Quaker Oats Company" on page 22.

INCOME AND ASSET VALUES

The following table provides summary information on the Company's principal holdings in a form which differs from the Company's consolidated financial statements in that the carrying value of the investments and income shown in respect of Westmin Resources Limited and Triarch Corporation Limited have been included on the equity method.

	Income for year ended December 31		Carrying value as at December 31		Quoted market value as at December 31
	1979	1980	1979	1980	1980(1)
	(millions)		(millions)		(millions)
Investments:					
Natural resources –					
Westmin Resources Limited.....	\$ 15.9	\$ 26.6	\$ 129.3	\$ 127.5	\$ 427.4(2)
Great Lakes Power(3).....	4.4	4.7	60.1	47.6	
Noranda Mines Limited.....	3.6	17.8	293.9	293.9	426.8
	<u>23.9</u>	<u>49.1</u>	<u>483.3</u>	<u>469.0</u>	
Consumer products –					
John Labatt Limited.....	6.2	9.1	68.4	130.6	139.4
Scott Paper Company.....	—	.2	—	30.5	30.8
Other.....	.4	2.7	5.1	62.5	69.1
	<u>6.6</u>	<u>12.0</u>	<u>73.5</u>	<u>223.6</u>	
Financial services –					
London Life Insurance Company.	2.1	7.4	20.6	40.3	54.1(4)
Triarch Corporation Limited.....	.5	.5	8.2	2.6	
	<u>2.6</u>	<u>7.9</u>	<u>28.8</u>	<u>42.9</u>	
Financial assets:					
Cash, short-term investments and other(5).....	51.2	45.1	388.8	343.0	
Debentures, loans and notes.....	9.7	8.7	123.2	114.0	
	<u>60.9</u>	<u>53.8</u>	<u>512.0</u>	<u>457.0</u>	
Brascan Brazil.....	—	—	95.8	61.1	
	<u>94.0</u>	<u>122.8</u>	<u>1,193.4</u>	<u>1,253.6</u>	
Long term debt.....	(20.1)	(34.7)	(316.6)	(306.8)	
Sundry – net(6).....	(20.3)	(2.1)	(21.1)	(37.4)	
Shareholders' equity/net income(7)....	53.6	86.0	855.7	909.4	
Preferred shareholders.....	(3.0)	(3.0)	(35.1)	(34.9)	
Ordinary shareholders.....	<u>\$ 50.6</u>	<u>\$ 83.0</u>	<u>\$ 820.6</u>	<u>\$ 874.5</u>	

(1) Values shown are the market values in the case of publicly traded securities, before income taxes. Owing to the size of certain of the holdings, market quotations are not necessarily representative of realizable amounts.

(2) Includes certain preferred shares of Westmin Resources Limited at their issue price of \$75 million.

(3) In 1980 Great Lakes Power Corporation Limited, now a wholly-owned subsidiary of Brascan, transferred its electric utility division to Great Lakes Power Limited in exchange for common shares of Great Lakes Power Limited. These shares were then exchanged for all of the common shares of Great Lakes Power Investments Limited. In addition, \$25 million of Class A Preferred Shares of Westmin Resources Limited were exchanged for \$25 million of non-voting second preferred shares of Great Lakes Power Investments Limited. Subsequently, Great Lakes Power Investments Limited issued to third parties first preferred shares carrying 51% of the votes at shareholders' meetings.

(4) Includes the quoted market value of the Company's pro rata portion of shares of London Life Insurance Company held through Lonvest Corporation.

(5) Other financial assets include, to the extent not set forth under principal investment headings, marketable securities and corporate investments.

(6) Amounts shown for income represent primarily general corporate expenses and income taxes including extraordinary items.

(7) Net income after extraordinary items.

(8) Subsequent to December 31, 1980, the Company purchased an interest in Royal Trustco Limited as described under "Financial Services" and increased its interest in Scott Paper Company as described under "Consumer Products".

CONSOLIDATED CAPITALIZATION

	Authorized or to be authorized	Outstanding as at December 31, 1980	Outstanding as at March 31, 1981	Outstanding as at March 31, 1981 after giving effect to this issue and the issue of the Class B Preferred Shares Series I of Westmin Resources Limited
(millions)				
Long Term Debt(1)				
Brascan Limited promissory note(2).....	\$168.8	\$168.8	\$168.8	\$168.8
Debt of subsidiaries of Brascan Limited				
Brascan International B.V.				
8¼% bonds due annually 1981 to 1987(3)(4).....	U.S. \$ 20.0	17.3	17.2	17.2
8.3% bank loan due annually 1982 to 1988(3).....	U.S. \$ 30.0	35.8	35.6	35.6
8½% bonds due annually 1981 to 1988(3).....	DM 100.0	51.9	48.0	48.0
Brascan International Capital Corporation				
9¾% notes due annually 1981 to 1982(3).....	U.S. \$ 30.0	33.0	32.6	32.6
Westmin Resources Limited				
Term bank loan due 1982(6).....	\$ 25.0	22.0	22.0	—
Total long term debt.....		<u>\$328.8</u>	<u>\$324.2</u>	<u>\$302.2</u>
Secured Bank Indebtedness				
of Triarch Debt Capital Limited(5).....	\$ 6.6	<u>\$ 6.6</u>	<u>\$ 6.6</u>	<u>\$ 6.6</u>
Minority Interest in Subsidiaries				
Westmin Resources Limited				
Class A Preferred Shares.....		\$ 25.0	\$ 25.0	\$ 25.0
Class B Preferred Shares(6).....		—	—	100.0
Common shares and retained earnings as at December 31, 1980.....		<u>23.3</u>	<u>23.3</u>	<u>23.3</u>
Total Minority Interest.....		<u>\$ 48.3</u>	<u>\$ 48.3</u>	<u>\$148.3</u>
Shareholders' Equity(7)				
Six per Cent Cumulative Preference Shares.....	593 shs.	\$ 0.1 (593 shs.)	\$ 0.1 (593 shs.)	\$ 0.1 (593 shs.)
1976 Preferred Shares, issuable in series.....	unlimited			
8½% Tax Deferred Preferred Shares Series A.....	1,393,500 shs.	34.8 (1,393,500 shs.)	34.8 (1,393,500 shs.)	34.8 (1,393,500 shs.)
10% Cumulative Redeemable Preferred Shares Series B(8).....	1,400,000 shs.	—	—	—
1981 Preferred Shares, issuable in series(9).....	unlimited			
\$2.6875 Cumulative Redeemable 1981 Preferred Shares Series A (this issue).....	4,000,000 shs.	—	—	\$100.0 (4,000,000 shs.)
Ordinary Shares				
Class A.....	unlimited			
Class B.....	unlimited	208.5	208.5	208.5
Class C.....	5,000,000	(28,654,342 shs.)	(28,654,342 shs.)	(28,654,342 shs.)
Retained earnings as at December 31, 1980.....		<u>691.2</u>	<u>691.2</u>	<u>691.2</u>
		<u>934.6</u>	<u>934.6</u>	<u>1,034.6</u>
Less Ordinary Shares held by a subsidiary, at cost(10)		<u>(25.2)</u>	<u>(25.2)</u>	<u>(25.2)</u>
Total shareholders' equity.....		<u>\$909.4</u>	<u>\$909.4</u>	<u>\$1,009.4</u>

NOTES:

- Debt in currencies other than Canadian dollars has been translated into Canadian dollars at the rates of exchange prevailing at December 31, 1980 and March 31, 1981.
- The promissory note bears interest (currently 16.8%) at rates applicable to 90 day bank deposits. It is due at the holder's option between January 1, 1982 and October 15, 1989 on 90 days' notice.
- Guaranteed by Brascan.
- Proceeds were loaned to Light-Serviços de Eletricidade S.A. ("Light"), a former Brazilian subsidiary, and are secured by debentures of Light carrying a floating charge on its assets.
- Secured by substantially all the assets of Triarch Debt Capital Limited.
- At a special meeting held March 26, 1981, the shareholders of Western Mines Limited authorized the change of the name of the company to "Westmin Resources Limited" and the creation of a new class of preferred shares (the "Class B Preferred Shares"). A prospectus dated April 14, 1981 has been filed offering 4,000,000 Class B Preferred Shares Series I convertible into common shares, with an aggregate issue price of \$100 million. These shares will be convertible on or before May 1, 1988 on the basis of 1.695 common shares for each preferred share. Part of the proceeds from the sale of these shares will be used to retire Westmin Resources Limited's term bank loan due 1982.
- Reference is made to note 10 to the consolidated financial statements for particulars of the share capital.
- The 10% Cumulative Redeemable Preferred Shares Series B are reserved for issue upon the conversion of 8½% Tax Deferred Preferred Shares Series A.
- Brascan is currently negotiating with a limited number of purchasers for the sale of a second series of 1981 Preferred Shares for an aggregate price of \$100 million. Reference is made to "Issue of 1981 Series B Preferred Shares".
- 2,293,522 of the issued Class A Ordinary Shares are held by a subsidiary.
- Brascan has agreed to guarantee, until the occurrence of certain stated events, two borrowings aggregating \$152 million arranged by Great Lakes Power Limited and its parent company, Great Lakes Power Investments Limited. As at December 31, 1980 no amount had been drawn under these lines of credit and as at April 16, 1981, \$63 million had been drawn.

BUSINESS OF THE COMPANY

Brascan is a Canadian investment management company whose principal areas of investment interest are natural resources, consumer products and financial services.

Prior to January 1979 Brascan's principal investment was its electric utility subsidiary in Brazil. The sale of this subsidiary to an agency of the Brazilian government in January 1979 for U.S. \$380 million, net of taxes withheld, transformed Brascan from a company with one dominant investment and substantial operating responsibilities to a company with substantial cash resources, significant investments in Westmin Resources Limited, Great Lakes Power Corporation Limited, John Labatt Limited and London Life Insurance Company and some continuing investments in Brazil.

Following the sale of the Brazilian electric utility subsidiary and a subsequent change in control, Brascan commenced a program of restructuring its corporate organization and investments. Most of this program has now been implemented, including the acquisition by Westmin Resources Limited of Brascan Resources Limited, increases in the Company's equity interest in John Labatt Limited and London Life Insurance Company and a significant investment in Scott Paper Company. Brascan views Westmin Resources Limited, John Labatt Limited and London Life Insurance Company as its principal Canadian investment in the natural resources, consumer products and financial services areas, respectively, and would favourably consider making available to these companies future investments or investment opportunities made by or available to Brascan in their respective areas of interests when such investments or investment opportunities are complementary to their respective businesses and geographical areas of interest and are within their respective financial capabilities. Similarly, Brascan views Scott Paper Company as its principal United States consumer products investment.

Brascan now has a high degree of liquidity and an organization which enables it to undertake additional investments.

Brascan is primarily an equity investor and is continually reviewing investment opportunities in Canada, the United States and elsewhere. Brascan prefers to invest in publicly traded companies in its principal areas of investment interest and to obtain investment positions of up to 10% in a limited number of companies in such areas with a view to either increasing its position over time and for value up to 20 to 30% or subsequently disposing of the investment. However, Brascan has exceeded that level of investment in certain companies in the past and would consider doing so in other companies in circumstances it considered appropriate.

Brascan prefers to confine its involvement in companies in which it has invested to representation on the board of directors and not to intervene in the affairs of such companies unless requested or unless goals for financial performance encompassing earnings targets and rates of return on investment consistent from time to time with Brascan's overall corporate goals and objectives have not been met.

The carrying value of the Company's net assets attributable to ordinary shareholders as at December 31, 1980 as set out in the table under "Income and Asset Values", adjusted to reflect the quoted market values as at March 31, 1981 for those securities for which a quoted market value is stated in the above table, was \$1,367.9 million compared to the aggregate carrying value of all such assets as at December 31, 1980 of \$874.5 million shown in the table. This adjusted value is calculated prior to any allowance for income taxes which may be payable in the event of disposition and includes market values which, because of the size of certain of the holdings, may not necessarily be representative of the realizable amounts.

In the sections which follow a description of each of the significant investments is included. The description of each of Noranda Mines Limited, John Labatt Limited, Scott Paper Company, Consumers Glass Company Limited, The Quaker Oats Company, London Life Insurance Company and Royal Trustco Limited contained in this prospectus is based solely upon, and related financial information is derived solely from, recent annual and interim reports and other public documents of each of those Companies.

Westmin Resources Limited

Natural Resources

In 1975, Brascan, through a wholly-owned subsidiary, Brascan Resources Limited, acquired 40.2% of the outstanding common shares of Westmin Resources Limited ("Westmin"). From that time until June, 1980 the Company increased its interest to 50.2% of Westmin's outstanding common shares. In June 1980, the Company sold Brascan Resources Limited to Westmin in exchange for 1,000,000 Class A preferred shares with a par value of \$100 each and 14,135,859 common shares of Westmin. The Company now owns 75% of the outstanding preferred shares and approximately 84% of the outstanding common shares of Westmin. On March 26, 1981, shareholders of Westmin approved its continuance under the Canada Business Corporations Act,

a name change from Western Mines Limited, a subdivision of its common shares on a two for one basis, the creation of an unlimited class of preferred shares (the "Class A Preferred Shares") of which the 1,000,000 outstanding preferred shares became the first series and the creation of a second unlimited class of preferred shares (the "Class B Preferred Shares"). Westmin has filed a prospectus dated April 14, 1981 offering a series of 4,000,000 Class B Preferred Shares convertible into common shares of Westmin, with an aggregate issue price of \$100 million. These shares will be convertible on or before May 1, 1988 on the basis of 1.695 common shares for each preferred share. If all these preferred shares were converted the Company's interest in Westmin would be reduced to approximately 70%.

Westmin Resources Limited together with its subsidiaries is referred to hereafter as "Westmin" unless the context otherwise requires. All information respecting Westmin is given on a restated basis after giving effect to the acquisition of Brascan Resources Limited.

Westmin is a diversified resource company engaged in the exploration for, and development and production of, petroleum and natural gas in Canada and the United States and in the exploration for petroleum in Abu Dhabi. Westmin is also engaged in the production of concentrates containing precious and base metals and in exploration for precious and base metals and uranium in Canada. In addition, Westmin holds substantial coal reserves and is engaged in exploration for coal in western Canada. Westmin operates in three major areas: petroleum and natural gas, mining, and coal and industrial minerals.

The following selected financial information illustrates Westmin's progress in recent years:

	Year Ended December 31				
	1980	1979	1978	1977	1976
	(millions except per share amounts)				
Revenue					
Petroleum and natural gas.....	\$48.6	\$29.1	\$26.7	\$21.6	\$13.0
Mining.....	41.0	42.8	19.6	15.0	15.7
Investment.....	3.6	7.2	2.6	1.2	.5
Other.....	1.5	1.1	1.6	.7	.8
Total.....	<u>\$94.7</u>	<u>\$80.2</u>	<u>\$50.5</u>	<u>\$38.5</u>	<u>\$30.0</u>
Net earnings (loss).....	\$31.9	\$28.0	\$17.1	\$13.9	\$(5.8)
Per common share ⁽¹⁾⁽²⁾	<u>.71</u>	<u>.60</u>	<u>.32</u>	<u>.24</u>	<u>(.37)</u>
Cash flow (before mineral exploration expense).....	<u>\$60.1</u>	<u>\$47.3</u>	<u>\$27.6</u>	<u>\$20.8</u>	<u>\$13.1</u>
Capital expenditures					
Petroleum and natural gas					
Exploration.....	\$23.1	\$19.1	\$10.9	\$ 6.7	\$ 5.5
Development.....	12.9	7.8	4.7	3.0	3.7
Properties purchased (sold).....	2.7 ⁽³⁾	20.2 ⁽³⁾	—	(1.4) ⁽⁴⁾	—
Mining development.....	10.8	1.1	.2	.5	.5
Other.....	.2	.4	.1	.1	.1
Total.....	<u>\$49.7</u>	<u>\$48.6</u>	<u>\$15.9</u>	<u>\$ 8.9</u>	<u>\$ 9.8</u>
Mineral exploration expense.....	<u>\$ 4.0</u>	<u>\$ 4.3</u>	<u>\$ 1.6</u>	<u>\$ 2.2</u>	<u>\$ 3.0</u>

(1) Calculated as though the dividends on the Westmin Class A Preferred Shares were paid or payable from January 1, 1976.

(2) After giving effect to the subdivision of the common shares on a two for one basis.

(3) Properties purchased from Abacus Cities Ltd.

(4) Interest in properties sold to Northwestern Utilities Ltd.

Westmin expects that, under current economic conditions, it will incur capital expenditures and mineral exploration expenses of approximately \$62.0 million during 1981 of which approximately \$41.0 million will be spent on petroleum and natural gas exploration and development (net of petroleum incentive program grants) and the balance on mineral activities.

During the five-year period ended December 31, 1980 Westmin's petroleum and natural gas revenue has increased as a result of higher petroleum and natural gas prices, increased production and acquisitions. During

the same period Westmin's mining revenue increased principally as a result of higher metal prices. Since 1978 the increase has been largely as a result of the marked increase in gold and silver prices. For the year ended December 31, 1980, approximately 60% of Westmin's mining revenues resulted from production of gold and silver. Revenues from the mining area are dependent on the markets for precious metals, zinc, copper and lead. Demand for zinc, copper and lead is closely tied to the level of worldwide industrial production, and changes in that level as well as variances in inventories of metal producers and metal consumers can cause the demand and prices to fluctuate significantly.

Petroleum and Natural Gas

(i) Land Holdings

As at December 31, 1980, Westmin held interests in approximately 8.6 million gross and 1.8 million net acres (3.4 million gross hectares and 0.7 million net hectares) of petroleum and natural gas rights in western Canada, the Beaufort Sea region, Labrador offshore, the Yukon Territory, the Arctic Islands and offshore, the United States, and Abu Dhabi. Approximately 360,000 acres (144,000 hectares) have been assigned reserves and are productive or potentially productive.

The approximate gross and net acreage interests are shown in the following table:

Area	Gross(1)		Net(2)	
	Acres	Hectares	Acres	Hectares
Alberta.....	2,372,816	949,126	947,275	378,910
British Columbia.....	600,922	240,369	56,112	22,445
Saskatchewan.....	76,620	30,648	20,530	8,212
Yukon Territory(3).....	228,004	91,202	204,624	81,850
Arctic Islands(3)(4).....	368,747	147,499	—	—
Beaufort Sea(3).....	1,906,515	762,606	191,543	76,617
Labrador Offshore(3).....	753,403	301,361	82,084	32,834
United States.....	298,271	119,308	80,749	32,300
Abu Dhabi.....	1,944,756	777,902	252,818	101,127
Total.....	<u>8,550,054</u>	<u>3,420,021</u>	<u>1,835,735</u>	<u>734,295</u>

(1) "Gross" acres refers to the total acreage in which Westmin has an interest or may earn an interest and includes working interest, mineral title, carried interest and overriding royalty lands. Acres were converted to hectares on the basis of 1 hectare = 2.5 acres.

(2) "Net" acres refers to the total of the acreage in each parcel in which Westmin has a working interest or is entitled to earn a working interest multiplied by the percentage working interest owned or to be owned therein by Westmin. Net acres also includes Westmin's retained working interest in mineral title lands. Carried interests and overriding royalty interests are not reflected in net acres.

(3) Before giving effect to the proposed acquisition by the Federal Government of a 25% interest in these holdings. See "Industry Regulation" at the end of the Petroleum and Natural Gas section.

(4) In addition, Westmin has a 12.28% equity interest in Magnorth Petroleum Ltd. which in turn holds 2,354,559 gross acres (941,824 hectares) — 1,738,535 net acres (695,414 hectares).

In the case of reservations, permits, licenses and concessions, the above figures are before giving effect to possible future reversions to the governments involved. The leases, reservations, permits, licenses and concessions contained within the above table were in effect at December 31, 1980, and all payments required to be made by Westmin up to such date were made.

Westmin holds certificates of mineral title to approximately 507,000 freehold acres (202,800 freehold hectares), mainly in Alberta, of which approximately 83,000 acres (33,200 hectares) have been assigned reserves and are productive or potentially productive. These interests are included in the above table. This mineral title land, as distinguished from Westmin's other holdings, is not subject to royalty or rental payments to the Crown or other third parties but is subject to a mineral tax assessed yearly on producing petroleum and natural gas lands. Approximately 62% of these lands are leased or committed through farmout or similar arrangements to other parties who for the most part are responsible for the payment of mineral taxes and for the payment to Westmin of lessor royalties and rentals. Westmin derived rental and royalty income from other parties of approximately \$7 million in 1980 in respect of the mineral title lands.

(ii) Exploration and development

During 1980, Westmin participated in the drilling of 117 gross wells (61.2 net wells) located in western Canada and the United States. Of these wells, 58 were cased as gas wells and 31 as oil wells. In addition 45 wells were drilled on Westmin's acreage at no cost to Westmin, resulting in 23 gas wells and 5 oil wells in which Westmin retains an interest. Development drilling in 1980 was directed to increasing production of light, medi-

um and heavy oil and maintaining deliverability in gas contract areas. Drilling activities have been concentrated in areas of Alberta likely to improve near term cash flow prospects. Most emphasis has been directed to the Spirit River, Claresholm and heavy oil belt areas in Alberta. In the Beaufort Sea region, Westmin is participating to the extent of 2% in the drilling of an evaluation well on the Issungnak structure. This well will supply additional information on the oil and gas pay zones encountered in the Issungnak 0-61 discovery well. In October 1980, Westmin acquired a 13% working interest in a 1,994,756 acre (777,902 hectares) concession in Abu Dhabi, one of the United Arab Emirates. Geophysical exploration commenced early this year with drilling to commence in 1982.

(iii) Reserves

The following table summarizes Westmin's estimated gross and net share of crude oil, natural gas liquids and natural gas reserves and the present worth of the future net revenues attributable to such reserves, as of December 31, 1980. These estimates are presented in a report by McDaniel & Associates Consultants Ltd. ("McDaniel") dated February 26, 1981 (the "McDaniel Report").

Reserve Status as of December 31, 1980								
Gross reserves (1)(3)					Net reserves (2)(3)			
	Crude oil and natural gas liquids		Natural gas		Crude oil and natural gas liquids		Natural gas	
	(Thous. BBLs)	(Thous. m ³)	(Million ft. ³)	(Thous. m ³)	(Thous. BBLs)	(Thous. m ³)	(Million ft. ³)	(Thous. m ³)
Proven(4).....	6,082	967	364,320	10,265,427	4,359	693	257,130	7,245,140
Probable additional(5).....	5,541	881	75,100	2,116,089	4,799	763	54,740	1,542,406
Total.....	<u>11,623</u>	<u>1,848</u>	<u>439,420</u>	<u>12,381,516</u>	<u>9,158</u>	<u>1,456</u>	<u>311,870</u>	<u>8,787,546</u>
Present worth of future net revenue(6) discounted at the rate of								
					12%	15%	20%	
					(thousands)			
Canada:								
Proven.....					\$401,994	\$301,270	\$206,800	
Probable additional(7).....					27,736	22,050	16,340	
United States(8):								
Proven.....					3,273	2,485	1,720	
Probable additional(7).....					96	84	72	
Total proven plus probable additional:								
Canada.....					429,730	323,320	223,140	
United States(8).....					3,369	2,569	1,792	
Total.....					<u>\$433,099</u>	<u>\$325,889</u>	<u>\$224,932</u>	

Notes.

- (1) Before royalty deductions and before royalty interests.
- (2) After royalty deductions and after royalty interests.
- (3) A barrel ("BBLs") is defined as approximately equal to 35 imperial gallons. Barrels were converted to cubic metres ("m³") on the basis of 1 cubic metre = 6.29 barrels. Natural gas reserves are reported at a base pressure of 14.65 psia and a base temperature of 60 degrees Fahrenheit. Cubic feet ("ft.³") were converted to cubic metres on the basis of 1 cubic metre = 35.49 cubic feet.
- (4) "Proven Reserves" are those reserves that are considered to be recoverable to a high degree of certainty at commercial rates considering current depletion methods, operating conditions, pricing and costs.
- (5) "Probable additional" crude oil reserves were considered to be those reserves commercially recoverable as a result of the beneficial effect which may be derived from the future institution of some form of enhanced recovery scheme or as a result of the more favourable performance of the existing recovery mechanism than that which could be deemed to be proven at this time. "Probable additional" natural gas reserves were based on those potentially productive areas of the natural gas reservoirs in question which could not be deemed proven at this time as well as those reserves commercially recoverable from the probable additional crude oil reserves. Probable additional reserves were assigned to the interests of Westmin in the offshore Newfoundland areas on a preliminary basis.
- (6) Future net revenue is calculated before provision for income taxes but after royalties and the Petroleum and Gas Revenue Tax.
- (7) The estimated present worth value for the probable additional reserves was estimated by employing a factor of 25% of the per unit values assigned to the proven reserves in the various areas in question to provide an allowance for the degree of risk and anticipated profitability of producing these additional reserves.
- (8) United States dollars were converted to Canadian dollars on the basis of U.S. \$1.00 — Can. \$1.1947, the rate of exchange on December 31, 1980.

Total future undiscounted net revenue before income tax on proven reserves was forecast by McDaniel to be \$2,723,435,000 (including U.S. \$14,650,000 converted as described in note (8) above).

The estimates of present worth of future net revenue do not necessarily reflect the fair market value of these reserves if the properties containing these reserves were to be sold. Future net revenue is calculated before provision for income tax but after royalties and the Petroleum and Gas Revenue Tax.

(iv) *Production*

During 1980, 78% of Westmin's petroleum and natural gas operating revenue resulted from natural gas sales and 22% from the sale of petroleum. During 1980, production in Alberta accounted for approximately 99% of all natural gas and 85% of all petroleum produced by Westmin.

The following table sets forth the production, before deduction of applicable royalties, of petroleum and condensate, including natural gas liquids, and of natural gas accruing to the working and royalty interests of Westmin for the periods indicated:

	1980		1979		1978		1977		1976	
	BBLS	m ³	BBLS	m ³	BBLS	m ³	BBLS	m ³	BBLS	m ³
Petroleum and Condensate										
- Per year.....	695,362	110,500	409,900	65,167	327,600	52,083	257,000	40,856	260,000	41,335
- Daily average...	1,900	302	1,123	179	898	143	704	112	712	113
	Million ft. ³	Thous. m ³	Million ft. ³	Thous. m ³	Million ft. ³	Thous. m ³	Million ft. ³	Thous. m ³	Million ft. ³	Thous. m ³
Natural gas										
- Per year.....	15,374	433,200	13,570	382,361	14,800	417,019	14,797	416,934	10,561	297,577
- Daily average...	42	1,184	37	1,047	41	1,142	41	1,142	29	813

Westmin has various working interests in 409 gas wells (192 producing and 217 shut-in) and 155 oil wells (114 producing and 41 shut-in). Most shut-in gas wells are drilled wells which are capped and are awaiting markets. Of the 41 shut-in oil wells, 18 are waiting for, or in the process of, completion or testing for commercial production, while 23 have been abandoned or are awaiting abandonment review. Of these latter wells, 13 will likely be completed as gas wells and 1 may be converted to a water disposal well. In addition, Westmin has royalty interests in 125 gas wells (16 producing and 109 shut-in) and 118 oil wells (98 producing and 20 shut-in).

Westmin has approximately 162 billion ft.³ (4.6 billion m³) of shut-in gas in Alberta awaiting markets of which 117 billion ft.³ (3.3 billion m³) is under gas contracts with Pan-Alberta Gas Limited.

Gas production in Alberta has been limited by oversupply and slow growth in existing markets. High export prices and improvements in the domestic supplies available to United States customers restricted short-term exports. With the concurrence of its contracted producers, TransCanada PipeLines Ltd. continued its program of allocating available market to contracted supply. Allocation has been implemented since 1978.

In December, 1979, the Canadian government authorized new exports of natural gas to the United States. Sulpetro Limited and Pan-Alberta Gas Limited, successful applicants with which Westmin has gas contracts, both received United States regulatory approvals for gas imports in 1980. As the approvals for exports were lower than requested, Pan-Alberta Gas Limited amended gas contracts for new exports to 75% of original contract volumes and reduced minimum annual take-or-pay obligations.

Under the contract with Sulpetro Limited, the Botha-Chinchaga gas plant in north-western Alberta, in which Westmin has a 25% interest, commenced production in August, 1980. The Botha-Chinchaga gas plant has a rated capacity of 40 million ft.³ per day (1,127 thousand m³ per day) from which Westmin's share of working interest production in December, 1980 was 5.2 million ft.³ per day (147 thousand m³ per day) and 311 BBLS per day (49m³ per day) of condensate and liquified petroleum gas mix.

In preparation for gas deliveries to Pan-Alberta Gas Limited, construction of two gas plants in the Beauvallon area of central Alberta was started in 1980. Scheduled for completion in the spring of 1981, the total Westmin share of capacity will be 10 million ft.³ per day (282 thousand m³ per day). Deliveries could begin as early as mid-1981. Construction is scheduled to start during 1981 on seven gas plants to be operated by Westmin

and nine gas plants to be partner-operated. Westmin's share of capacity of these plants and the Beauvallon plants under construction will total 29 million ft.³ per day (817 thousand m³ per day). During 1981, Westmin's deliveries to Pan-Alberta Gas Limited under new contracts could reach 10 million ft.³ per day (282 thousand m³ per day) and Westmin estimates that in 1982 average sales under these contracts will be 17 million ft.³ per day (479 thousand m³ per day) increasing to 21 million ft.³ per day (592 thousand m³ per day) in 1983.

In addition, Westmin presently has interests in 18 gas plants and related facilities completed and in operation (including the Botha-Chinchaga plant) having a total rated capacity of 215 million ft.³ per day (6,058 thousand m³ per day) of which Westmin's share is 78 million ft.³ per day (2,198 thousand m³ per day).

(v) Industry Regulation

The petroleum and natural gas industry operates in Canada under federal, provincial and municipal legislation and regulations, covering land tenure, royalties, production rates, price, environmental protection, export and other matters. Federal legislation regulates the price of petroleum and natural gas in the areas of inter-provincial and international trade. The Federal Government, through the National Energy Board (the "NEB"), also controls the export of petroleum and natural gas. Provincial legislation includes conservation and proration measures designed to promote efficient production and the sharing by producers of the available markets on an equitable basis. In addition, the Province of Alberta has enacted legislation to regulate the amount and price of petroleum produced in that province and regulate the volume of petroleum and natural gas that may be removed from the province.

The mineral rights in Canada Lands (federal Crown lands and offshore Canada) and most of the mineral rights in Alberta, British Columbia and Saskatchewan are owned respectively by the federal and provincial Crowns and are subject to various regulations governing petroleum and natural gas exploration on and production from such lands, including the granting of permits, licenses, reservations and leases. Generally governments receive a substantial share of revenues from production by imposing royalties and other levies.

Historically, the pricing of petroleum and natural gas consumed outside the province of its production has been determined from time to time by agreement between the Federal Government and the producing provinces, with a price established for Canadian domestic consumption and a higher price for export. However, the most recent of these agreements expired in 1980 after extended negotiation without further agreement being reached. The governments of Alberta and Saskatchewan then acted unilaterally in imposing a price increase.

The Federal Government tabled on October 28, 1980 its proposed National Energy Program ("NEP") for Canada which included the following significant matters:

1. The Federal Government proposes to set the price for petroleum and natural gas in the inter-provincial and export markets with or without the agreement of the producing provinces. The domestic price of oil, now less than half of the world price, will increase in semi-annual stages until it reaches an appropriate level determined in relation to a variety of factors, including world prices. The federal export tariff which in substance is the difference between the domestic and export price will, under the NEP, be shared with the producing provinces. Increases in the price of natural gas will, as in the past, be made in relation to oil price increases, but on a deferred basis.
2. An excise tax is proposed on both domestic and export sales of natural gas.
3. A new tax of 8% is proposed on production revenues and resource royalties, in each case non-deductible in computation of income under the Income Tax Act (Canada).
4. The present system of depletion allowances will be altered substantially and an incentive program of grants for specified exploration and development costs will be introduced. Significantly more favourable treatment will be given under this program for activities on Canada Lands than on provincial lands, and to companies which are Canadian controlled and which have, on a scale basis, greater rather than lesser levels of Canadian ownership. While definitive rules have not been established and Westmin is therefore unable at this time to determine with precision its level of Canadian ownership for this purpose, Westmin intends, provided that any required changes are considered to be in Westmin's best interest, to attempt to qualify in the most favourable category under the rules.
5. It is proposed that the federal Crown will have a 25% interest in every right on Canada Lands, convertible from a carried interest to a working interest prior to authorization of a production system for the particular field. This reservation would also be applicable to all existing interests. A minimum of

50% Canadian ownership would be required before production may be obtained from Canada Lands or, if permission is granted, a share would be reserved to the federal Crown equal to the amount by which the Canadian ownership level is less than 50%.

In response to these proposals, on March 1, 1981 the Province of Alberta instituted the first in a series of cutbacks in production of conventional oil (which, if fully implemented, would reduce Alberta crude oil production by 15%) and has frozen approval of future oil sands and certain tertiary production projects. Certain provinces have announced their intention to challenge portions of the NEP. The Federal Government has proposed certain amendments to the NEP. At this time it is not possible to predict with any certainty the full impact of the NEP on the petroleum and natural gas industry.

Mining

(i) Production

Westmin owns and operates two underground mines, known as the Lynx and Myra Mines, on Vancouver Island near Campbell River. Approximately 300,000 tons of ore annually (950 tons per operating day) are processed through Westmin's mill, producing copper and zinc/lead concentrates which also contain significant gold and silver values. Selected information for the past five years is shown in the following table.

	Year ended December 31				
	1980	1979	1978	1977	1976
	(thousands)				
Payable metal					
Copper (lbs).....	5,941	6,296	5,953	5,322	5,187
Zinc (lbs).....	33,656	36,509	35,868	33,318	32,010
Lead (lbs).....	5,125	5,425	5,409	5,353	5,948
Gold (oz).....	19	20	18	16	18
Silver (oz).....	786	791	841	914	1,068
	(millions)				
Net smelter return.....	\$ 41.0	\$ 42.8	\$ 19.6	\$ 15.0	\$ 15.7
Mining operating costs.....	14.6	12.7	10.7	11.0	10.1

The entire production of copper and zinc/lead concentrates is sold under contract to two purchasers with prices based on average quoted metal prices for pre-determined periods after delivery to the customer for smelting.

During the past two years, two new orebodies, the H-W and the Upper Price, have been discovered on the Vancouver Island property and decisions have now been made to place both orebodies in production. Development work is in progress with production from the Upper Price orebody scheduled to commence in 1982 and from the H-W orebody in 1983. As a result of these developments, preliminary studies have been undertaken to determine the feasibility of expanding milling capacity.

One of the important production considerations for both present and future mining and milling operations is pollution control. Due to the growing concern over the levels of dissolved metal in a nearby lake, Westmin, at the direction of the Government of British Columbia, is evaluating alternative methods of tailings disposal and is conducting studies to determine to what extent waters from mine drainage and from natural sources are contributing to the level of dissolved metals in the lake. On March 13, 1981, Westmin was charged under the Fisheries Act (Canada) with unlawfully depositing deleterious substances in water frequented by fish or in a place under conditions where such deleterious substances may enter such water. The charges stem from the zinc content in drainage waters from the Lynx Mine. While the Fisheries Act provides for substantial fines and, in the appropriate circumstances, the imposition of restraining or remedial orders, Westmin is not presently aware of the sanctions which the Crown would seek if a conviction is entered. Westmin is unaware of any damage occasioned to fish or other marine life by its mining operations and intends to defend itself against the charges.

(ii) *Reserves*

The proven ore reserves in the Lynx and Myra Mines at December 31, 1980 as estimated by Westmin were as follows:

	Tons	Grade				
		Gold (oz/ton)	Silver (oz/ton)	Copper (%)	Lead (%)	Zinc (%)
Lynx Mine.....	842,300	0.06	2.5	1.2	0.9	8.3
Myra Mine.....	249,500	0.10	6.1	0.7	1.3	5.8
	1,091,800					
Weighted average.....		0.07	3.3	1.1	1.0	7.7

NOTE:

Proven ore reserves constitute the tonnage contained in a block measuring a maximum of 25 feet in each of a north, south, east and west direction for the full width of each drill hole intersection. The assay value of each block was that of the drill hole intersection contributing the tonnage.

During the five years ended December 31, 1980, 1,492,000 tons of ore were mined while remaining reserves decreased by 639,500 tons.

In addition to the reserves stated above, drilling of the Upper Price and H-W orebodies during 1980 has indicated the potential for significant additional tonnages of ore to supply the existing mill facilities. Wright Engineers Limited, Vancouver, B.C., has reviewed and analyzed Westmin's drilling results on the H-W orebody and in a report dated February 1981 has estimated ore reserves in the deposit as follows:

Probable or Drill Indicated Reserves (tons)	Possible Reserves (tons)	Grade				
		Gold (oz/ton)	Silver (oz/ton)	Copper (%)	Lead (%)	Zinc (%)
5,314,400	2,714,600	.071	1.02	2.10	0.30	4.85

The above reserves are calculated using a cut-off grade that will produce net smelter returns of \$50 per ton of ore at projected metal prices which approximates the present costs of production and processing ore from the Lynx and Myra Mines.

In calculating reserves Wright Engineers Limited has adopted the following criteria:

- (a) Drill Indicated reserves constitute that tonnage contained in a block measuring a maximum of 100 feet in each of a north, south, east and west direction for the full width (thickness) of each drill hole intersection. The size was decreased where drill holes spacing in any direction was less than 200 feet, and the measurement used was half the distance between the drill holes. The assay value of each block was that of the drill hole intersection contributing the tonnage.
- (b) Possible reserves constitute –
 - (i) that tonnage contained in blocks between drill holes spaced greater than 200 feet, but less than 400 feet apart, where continuity of mineralization might be reasonably anticipated. The dimensions and grade of the block are averages of the contiguous Drill Indicated blocks, and
 - (ii) that tonnage contained in blocks contiguous to Drill Indicated blocks, where continuity of similar zone width and grade might be reasonably anticipated for an additional 100 feet, not influenced by other diamond drill data. The dimensions and grade of the block are those of the contiguous block.

Wright Engineers Limited's report relates to the H-W orebody only. No reliable reserve figure for the Upper Price orebody is calculable due to the wide spacing of surface drilling. Westmin is of the opinion that the topography does not permit further effective surface drilling. Adits are being driven to develop mining areas and to establish additional definition of ore reserves from underground.

Although additional mill feed is to be obtained from Upper Price (except during winter months) continued mining operations at present rates on a sustained basis after 1984 will be subject to the availability of ore from H-W.

(iii) Exploration

Westmin participates actively in exploration programs in most provinces of Canada and in the Yukon and Northwest Territories either alone or in joint ventures. In many joint ventures, Westmin acts as manager. Expenditures on exploration during 1980 totalled \$4.0 million with joint venture associates contributing an additional \$2.1 million. A total of \$15.2 million has been expended on exploration by Westmin in the last five years. Exploration throughout Canada is concentrated on base metals, precious metals and uranium, with lesser effort directed toward ferro-alloy metals. Most programs are still at an early stage and no economic reserves, other than as described under "Reserves", have yet been delineated.

(iv) Lacana Mining Corporation

In October, 1980, Westmin acquired 1,147,809 shares of Lacana Mining Corporation ("Lacana") from Dupont of Canada Inc. and a further 1,000,000 shares from treasury, all at a price of \$11.00 per share. These acquisitions made Westmin the largest shareholder of Lacana, with a 23% (19% fully diluted) voting and equity interest therein. Westmin's interest may be increased to 30% (26% fully diluted) by the exercise, at any time prior to October 25, 1983, of an option to purchase an additional 1,000,000 Lacana treasury shares at a price of \$15.50 per share. The option also provides that if Lacana's directors determine, prior to October 25, 1981, that additional equity financing is required by Lacana, Westmin must either exercise its option (at a price equal to the lesser of \$15.50 and the average closing price for Lacana shares on The Toronto Stock Exchange during the 30-day period preceding Lacana's request for funds) or forfeit its option. Between January 1, 1981 and April 1, 1981, Westmin purchased an additional 95,200 shares of Lacana in the open market.

Lacana is a natural resources company with substantial minority interests in two Mexican precious metal mining complexes and in a Nevada gold property which commenced production in 1981. In addition, Lacana carries on resource exploration in Latin America, Canada and the United States.

Coal and Industrial Minerals

Westmin owns the coal, metallic minerals and most industrial mineral rights beneath some 500,000 acres (200,000 hectares) of its mineral title lands in central Alberta. Westmin also holds an interest in crown coal leases in British Columbia, Alberta and Saskatchewan. In a report dated April 1, 1980, Sproule Associates Limited estimated the proven, probable and possible coal reserves of Westmin recoverable by current mining methods to be as follows:

<u>Recoverable coal reserves(1)</u>	<u>Tonnage(2)</u> (millions)
Proved.	148.2
Probable.	31.5
Possible.	177.0

Note:

(1) Proved reserves are those reserves delineated by drilling, trenching, division adits, mine development operations or other exploratory work with the points of observation separate one-half mile or less in the Plains region of central and southern Alberta and Saskatchewan and one-quarter mile or less in the Foothills and Mountains regions of Alberta and British Columbia. Probable reserves are those reserves with the points of observation separated by less than one mile in the Plains region and one-half mile in the Foothills or Mountains regions. Possible reserves means that material for which quantitative estimates are based largely on broad knowledge of the geologic character of the deposit and for which there are few, if any, samples or measurements, and for which the estimates are based on an assumed continuity or repetition for which there are reasonable geological indications, which indications may include comparison with deposits of similar type, and bodies that are completely concealed may be included if there is specific evidence of their presence.

(2) Expressed in long tons of 2,240 lbs. each.

Westmin receives a series of annual payments escalating from \$0.5 million in 1981 to \$0.8 million through July 1, 2005, (a total of \$17 million over the remaining term of the agreement) under a 1972 sale of coal lands in the South Wabamun coal field near Edmonton, Alberta to a power utility company. Westmin expects revenues of approximately \$15 million from the same power utility company over the next 15 years from a coal lease concluded in 1979 covering additional coal rights in the same general area and negotiations are underway with the same company for additional long-term leases in the same area.

In addition, Westmin holds some 2,000 acres of Crown leases in east-central Alberta, containing approximately 1,200,000 tons of recoverable sodium sulphate.

Experts

Copies of the reports by McDaniel & Associates Consultants Limited, Wright Engineers Limited and Sproule Associates Limited may be inspected at Suite 4800, Commerce Court West, Toronto, Ontario during ordinary business hours while the 1981 Series A Preferred Shares are in the course of distribution to the public and for a period of thirty days thereafter. Copies of these reports are also available for public inspection at the offices of the Ontario Securities Commission, 10 Wellesley Street East, Toronto, Ontario and are on file with certain other provincial securities commissions.

Great Lakes Power Limited

In 1973, Brascan acquired over 99% of Great Lakes Power Corporation Limited ("GLP"). Since that time Brascan has acquired the remaining outstanding shares of GLP, resulting in GLP becoming a wholly-owned subsidiary on January 1, 1981. From 1973 to November 1, 1980 GLP continued to operate its electric utility business and purchased various investments including Brascan's holdings in Brascan Resources Limited and John Labatt Limited.

On November 1, 1980 GLP sold its electric utility business to Great Lakes Power Limited ("Power") in exchange for common shares of Power. These shares were then exchanged for all of the outstanding common shares of Great Lakes Power Investments Limited ("GLI"). Subsequently, GLI issued preferred shares to a number of institutional and corporate purchasers, which preferred shares, as a class, carry 51% of the total voting rights attaching to all outstanding shares of GLI.

GLI is an investment holding company whose principal assets consist of all the outstanding shares of Power and \$25 million of preferred shares of Westmin. For purposes of financing the St. Mary's Redevelopment Project referred to below and investment in readily marketable securities, GLI and Power have available cash and lines of credit, including two lines of credit aggregating \$152 million which Brascan has agreed to guarantee until the occurrence of certain stated events, principally completion of the project and achievement of project prescribed profit levels. As at April 16, 1981, \$63 million had been drawn by GLI and Power under these lines of credit a portion of which was used to repay short-term borrowings from the Company incurred in part in connection with the St. Mary's Redevelopment Project.

Service Area

Power is engaged in the business of generating, transmitting and distributing electric energy to industrial, commercial, and residential customers serving an area of approximately 5,000 square miles including the City of Sault Ste. Marie, Ontario. As of December 31, 1980 Power supplied a total of 9,070 customers directly and 28,400 customers indirectly in the City of Sault Ste. Marie. Sales in 1980 totalled 2,031 million kilowatt-hours. Over the past five years, four major customers, including the City of Sault Ste. Marie, represented an average of 90% of total kilowatt-hour sales and 85% of total revenues.

Generation

Power has nine hydro-electric generating stations with an aggregate net capacity of 226,600 kilowatts. The total generating capacity is insufficient to meet the total peak demand on the system which has been as high as 374,000 kilowatts. The difference between generation and demand is purchased from Ontario Hydro. In 1980, Power generated 1,189 million kilowatt-hours and purchased 946 million kilowatt-hours from Ontario Hydro.

The existing generating station on the St. Mary's River at Sault Ste. Marie is being replaced with a new hydro electric station (the "St. Mary's Redevelopment Project") which, on completion in the fall of 1982, will increase Power's total generating capacity by approximately 18%. Current estimated cost, including capitalized interest, is approximately \$110 million. Construction of the St. Mary's Redevelopment Project was approximately 35% completed as at March 31, 1981 and costs totalling approximately \$38 million had been incurred to that date.

Rate Regulation

Private utilities purchasing power from Ontario Hydro are regulated by Ontario Hydro. In Power's 1981 rate submission to Ontario Hydro, the projected average 1981 rate base is \$35.6 million and the average capital structure is estimated at 55% debt and 45% equity. Power expects that its allowed return will be 13.5% on debt and 15.7% on equity for a weighted cost of capital of 14.5%.

A summary of Power's operating results for the five years ended December 31 is set out in the table below:

	Year ended December 31				
	1980	1979	1978	1977	1976
	(millions)				
Operating revenue.....	\$41.1	\$37.7	\$34.7	\$30.2	\$24.2
Operating expenses					
Purchased power.....	19.7	17.9	14.9	16.8	11.6
Other.....	11.6	10.3	7.6	7.0	6.8
	<u>31.3</u>	<u>28.2</u>	<u>22.5</u>	<u>23.8</u>	<u>18.4</u>
Operating income.....	9.8	9.5	12.2	6.4	5.8
Other income.....	2.4	.7	.3	.1	.1
Income before interest and income taxes.....	<u>\$12.2</u>	<u>\$10.2</u>	<u>\$12.5</u>	<u>\$ 6.5</u>	<u>\$ 5.9</u>
Net income.....	<u>\$ 5.1</u>	<u>\$ 4.8</u>	<u>\$ 5.7</u>	<u>\$ 2.7</u>	<u>\$ 2.4</u>
Kilowatt-hours sold.....	2,031	2,046	1,931	1,886	1,843

The Company accounts for its investment in GLI, including Power, on the equity method.

Noranda Mines Limited

In October 1979 the Company acquired 7,850,490 shares of Noranda Mines Limited ("Noranda") in exchange for a note in the amount of \$168.8 million and purchased a further 6,377,700 shares in the open market for \$125.1 million. The total cost of this investment was \$293.9 million compared to a quoted market value of \$430.4 million at March 31, 1981. The total holding as at March 31, 1981 was 14,388,190 shares including 160,000 shares purchased as short term investments and against which call options had been written. In addition the Company has written put options covering an additional 20,000 shares. The 14,228,190 shares represent approximately a 14% equity interest in Noranda, after taking into account Noranda's interest in 23,980,202 of its own shares held by Zinor Holdings Ltd., a corporation controlled by subsidiaries and associates of Noranda. In the following discussion references to "Noranda" mean Noranda Mines Limited and its subsidiaries.

Noranda and its associated companies are engaged in four major areas of business: mining and metallurgy, manufacturing, forest products and natural gas. They are major producers of copper, molybdenum, gold, silver and lead and are the world's largest mine producers of zinc. Noranda smelts and refines much of its own mine production. Manufacturing operations in Canada primarily consist of processing metals produced by Noranda into wire, cable, sheet, tube and other products for use by industry; and in the United States manufacturing operations primarily consist of aluminum production, fabrication of aluminum building products and producing aluminum sheet and foil products. Noranda and its associated companies are among the largest producers of forest products in Canada, producing lumber, plywood, waferboard, pulp and paper. Noranda is also engaged in oil and natural gas exploration and production in western Canada and the United States and exploration in the Arctic.

Noranda is also in the business of smelting and refining copper concentrates produced by 15 other mining companies including four associated companies. Noranda markets its own production as well as mine and metal production of 15 other companies including five associated companies. The major end-use markets for copper are the electric utility, telephone, automobile and construction industries. Substantially all of Noranda's mine production of copper is processed by its manufacturing subsidiaries and is sold in North American markets. The copper production of Noranda's associated companies is sold in North American and overseas markets.

The zinc metal produced by Noranda and its associated companies is sold in North American and overseas markets while zinc concentrates not converted into metal are sold to European, Japanese and United States' smelters. The major end-use markets for zinc are the construction and automobile industries.

The forest products produced by Noranda and its associated companies consist of lumber and other building products sold to the construction industry mainly in Canada and the United States; pulp and publication and fine papers sold primarily in the United States; and newsprint sold both in Canada and the United States.

The business of Noranda and its associated companies is cyclical. Fluctuations in the general level of economic activity in the western world influence the demand for and prices of the various products produced by these companies although the cycles for the individual products may be at different phases at any time. Because a substantial portion of Noranda's production is either sold in export markets or sold in Canada at world prices, fluctuations in the value of the Canadian dollar relative to other currencies have a significant effect on Noranda's revenues and earnings.

Noranda has reported earnings and paid dividends for the past five years as follows:

	Year Ended December 31				
	1980	1979	1978	1977	1976
		(millions except per share amounts)			
Revenue.....	\$2,889.3	\$2,484.7	\$1,691.1	\$1,395.8	\$1,234.8
Earnings.....	408.4	394.5	135.2	71.8	46.7
Net income per share.....	4.06	4.70	1.91	1.01	.66
Dividends paid per share.....	1.25	.85	.43	.40	.40

For 1980, earnings of \$408 million were slightly higher than the \$395 million earned in 1979, but earnings per share of \$4.06 were less than the \$4.70 earned the previous year due to the increase in the number of shares outstanding. Mining and metallurgical earnings were less than those of 1979 in total, and considerably less per share principally as a result of softening markets and production interruptions. Product prices, while mixed, on balance were somewhat above 1979 levels, but not enough to offset the impact of inflation. Moreover, in general, prices were at their highest levels near the start of the year, declining erratically thereafter, which required substantial write-downs in the carrying value of inventories. Manufacturing earnings improved both in total and per share.

By amended offer dated April 2, 1981 Noranda offered to purchase 8.9 million of the issued and outstanding common shares and certain convertible preferred shares in the capital of MacMillan Bloedel Limited in exchange for redeemable convertible preferred shares of Noranda and cash to a value of about \$62 per MacMillan Bloedel common share. Noranda currently owns 1.7 million of the common shares. Assuming that all 8.9 million common shares are tendered pursuant to Noranda's offer, Noranda would beneficially own approximately 49% of the currently outstanding common shares of MacMillan Bloedel Limited.

The investment in Noranda is carried at cost and income therefrom is accounted for by the Company on the basis of dividends received. Effective with the dividend paid December 15, 1980 the quarterly rate was increased to \$0.35 per share.

Consumer Products

John Labatt Limited

In 1967 the Company purchased 23% of John Labatt Limited ("Labatt"). Subsequent purchases have increased the Company's equity interest to approximately 41% (38% on a fully diluted basis) of the outstanding common shares. The total cost of the Labatt investment was \$107.4 million. Labatt filed a preliminary prospectus dated April 14, 1981 respecting the proposed offering of convertible subordinated debentures convertible into common shares. The Company has agreed to purchase additional convertible subordinated debentures sufficient to maintain its present degree of ownership of Labatt. Until the size of the proposed offering has been fixed, the Company will not know the exact principal amount of such debentures which it will purchase under the agreement. In the following discussion references to "Labatt" mean John Labatt Limited and its subsidiaries.

Labatt's operations are divided into three groups: brewing, packaged food and agri products. The principal products and services of each division within the three groups are set out below.

Group	Division	Products and Services
Brewing.....	Labatt Brewing.....	Beer, ale, malt liquor and stout.
	Labatt Importers.....	Sale of beer and ale in the United States.
Packaged Food.....	Catelli.....	Pasta, jarred goods, puddings, soups, packaged meats, sauces and packaged flour.
	Laura Secord.....	Confectionery, ice cream and baked goods.
	Chef Francisco.....	Prepared frozen foods in the United States.
	Wine.....	Wine in Canada and the United States.
	Ault.....	Cheese, butter and other dairy products.
Agri Products.....	Ogilvie Flour.....	Flour and other milled grain products.
	Industrial Grain Products.....	Wheat starch and gluten.
	Terra Foods.....	Fresh mushrooms.

On March 30, 1981, Labatt announced its intention to acquire Dominion Dairies Limited for approximately \$54.0 million. Dominion Dairies Limited processes and distributes milk products in Ontario and Quebec under the "Sealtest" and "Light 'n Lively" brand names.

Labatt also has investments in the following businesses and includes in net income its equity interest in the earnings of these companies.

<u>Investment and Percentage Ownership</u>	<u>Products and Services</u>
Zymaize Company (50% partnership interest).....	Will produce sweeteners and starch derived from corn (plant under construction in London, Ontario)
McGavin Foods Limited (60% equity, 50% voting).....	Baked goods in Western Canada
Toronto Blue Jays Baseball Club (45% partnership interest)....	American League baseball
Canada Malting Co., Limited (14.2%).....	Malt for brewing and distilling industries
Catelli-Primo Limited (46.4%).....	Packaged food in Trinidad

Brewing

Labatt is a leading Canadian brewer operating 14 plants across Canada with a combined total annual capacity of 9,200,000 hectolitres. It produces and markets 32 brands of beer, ale, malt liquors and stout, including Labatt's "50" and Labatt's "Blue", which account for about 80% of sales volume. During the past five years, a number of new brands including "Special Lite", "John Labatt's Extra Stock", "Club", and "Légère-Light" were introduced. In June 1980, Labatt began production and marketing under license in Canada of "Budweiser", the largest selling beer in the United States, and began to import and distribute "Michelob". Labatt exports beer and ale to the United States and since 1979 has expanded its distribution area from 9 to 18 eastern and central states.

Results of the brewing group in 1979 were adversely affected by work stoppages in Manitoba, Alberta and British Columbia and a decline in market share in Québec. Labatt sold its interest in Skol-Caracú, a brewing company in Brazil, in April 1980 for \$14.9 million, incurring an extraordinary loss of \$1.5 million.

Packaged Food

The packaged food group is engaged in the manufacture and marketing of packaged food products, confectionery goods and wines in Canada and the United States. Labatt has significantly expanded its packaged food group over the last five years through the introduction of new product lines and acquisitions including Casabello Wines in British Columbia and Lamont Winery in California, acquired to complement Chateau-Gai in Central Canada.

Agri Products

The operating divisions in the agri products group are primarily involved in the processing of agricultural raw materials into basic foods, food ingredients and related by-products. The group includes Ault, a cheese manufacturer and industrial milk processor; Ogilvie Flour, Canada's largest flour miller with plants in Quebec, Ontario, Manitoba and Alberta and a total milling capacity of 2,380 tonnes per day; and Industrial Grain Products, Canada's only manufacturer of wheat starch and gluten. Gluten is a vegetable protein used in the baking, cereal and pet food industries.

The agri products group has expanded significantly over the past five years. Acquisitions included Cow & Gate Ltd., an industrial milk processor in Ontario, in 1976 and Beurrerie Lafrénrière/Laiterie Dallaire, a dairy and industrial milk processor in Québec, in 1978. Earnings in 1977 were adversely affected by a walk out by employees at Ogilvie Flour's Montréal flour mill in protest over the roll-back of a wage settlement by the Anti-Inflation Board of Canada.

Zymaize Company

In 1977, Labatt entered into an equal partnership with Redpath Industries Limited to construct and operate a plant to produce high fructose corn syrup – 42, a sweetener derived from corn comparable in sweetness to liquid cane and beet sugar. Construction of the Zymaize plant commenced in the fall of 1978 and is scheduled for completion by April 30, 1981 (and operational by mid-summer 1981) at an approximate cost of \$101 million including capitalized interest. Substantially all of the \$101 million has been spent or committed to date. The cost of the plant together with interest costs incurred during construction and development and start-up costs are being financed substantially by a term loan arranged through two Canadian chartered banks by

Zymaize Inc., a company wholly-owned by Zymaize Company, the partnership between Labatt and Redpath Sugars Ltd. The Zymaize Company will lease the plant facilities from Zymaize Inc. over the term of the bank loan. An engineering evaluation is underway for a major expansion of this facility aimed at producing high fructose corn syrup – 55. The preliminary cost estimate for this expansion is in the range of \$30 million to \$35 million.

Financial Results

The following table sets out the operating results for the past five years as reported by Labatt:

	Years ended April 30				
	1980	1979	1978	1977	1976
	(millions except per share amounts)				
Gross sales					
Brewing.....	\$ 603.1	\$ 514.2	\$512.3	\$479.4	\$442.8
Packaged food.....	409.4	322.5	256.7	213.0	197.8
Agri products.....	329.3	273.0	228.2	229.8	196.6
	<u>\$1,341.8</u>	<u>\$1,109.7</u>	<u>\$997.2</u>	<u>\$922.2</u>	<u>\$837.2</u>
Earnings before interest and income taxes					
Brewing.....	\$ 42.2	\$ 27.0	\$ 46.9	\$ 44.0	\$ 41.8
Packaged food.....	16.9	15.9	7.8	5.2	4.1
Agri products.....	27.6	19.3	12.0	11.0	7.7
	<u>\$ 86.7</u>	<u>\$ 62.2</u>	<u>\$ 66.7</u>	<u>\$ 60.2</u>	<u>\$ 53.6</u>
Earnings before extraordinary items.....	\$ 37.7	\$ 22.5	\$ 33.9	\$ 28.1	\$ 24.3
Extraordinary items(1).....	(1.5)	—	—	—	2.5
Net earnings.....	<u>\$ 36.2</u>	<u>\$ 22.5</u>	<u>\$ 33.9</u>	<u>\$ 28.1</u>	<u>\$ 26.8</u>
Per share:					
Fully diluted net earnings.....	\$ 2.65	\$ 1.71	\$ 2.53	\$ 2.12	\$ 2.07
Dividends paid.....	1.23	1.19	1.14	1.09	1.03

(1) An extraordinary loss of \$1.5 million arose in 1980 from the sale of a Brazilian brewing investment, and an extraordinary gain of \$2.5 million arose in 1976 from a reduction in income taxes resulting from the application of a loss carry over.

Approximately one third of the gain in gross sales of Labatt for the year ended April 30, 1980 over the year ended April 30, 1979 resulted from higher volumes. The remainder reflected higher prices. Volume gains were broadly based across all operating divisions.

Current Results

For the nine months ended January 31, 1981 gross sales increased approximately 10% to \$1,109.2 million from \$1,009.5 million for the nine months ended January 31, 1980. Earnings before an extraordinary item, for the nine months ended January 31, 1981 were \$30.6 million (\$2.20 per share fully diluted) compared with \$29.5 million (\$2.12 per share fully diluted), for the nine months ended January 31, 1980. Earnings for the nine months ended January 31, 1981 were affected by industry wide brewing work stoppages in Alberta and British Columbia which began during July, 1980 and which have since been settled, and a decline in Labatt's beer market share in Québec. An extraordinary loss of \$2.0 million (\$0.13 per share fully diluted) was recorded on the disposition of two subsidiaries. The current quarterly dividend rate is \$0.33 per share.

The Company accounts for its investment in Labatt on the equity method.

Scott Paper Company

Since October 27, 1980, the Company purchased 5,079,800 common shares of Scott Paper Company for approximately U.S. \$133.9 million. In addition, pursuant to an agreement dated March 21, 1981, the Company purchased 3,650,000 common shares from Scott's treasury for U.S. \$102.2 million. This additional purchase results in the Company holding an approximate 20.5% equity interest in Scott. Under the terms of the agreement Brascan has agreed that it will own no more than 20.5% of Scott's voting securities through March 31, 1982 and 25% of Scott's voting securities through December 31, 1985 unless another party should challenge its position as Scott's largest shareholder. The agreement also calls for Brascan to nominate up to four directors to Scott's board of directors. In the following discussion, references to "Scott" means Scott Paper Company and its subsidiaries.

Scott is the world's largest sanitary tissue producer. Scott's business is divided into two principal divisions. the Packaged Products Division, consisting of a wide range of trademarked sanitary tissue products, and the S. D. Warren Division, consisting of printing, publishing, converting and specialty papers. Smaller divisions include polyurethane foam and furniture manufacturing and oil and gas production. Scott owns over 2.9 million acres of timberland in the United States and Canada.

The following table sets out the operating results for the past five years reported by Scott:

	1980	1979	1978	1977	1976
	(millions except per share amounts) (U.S. \$)				
Sales.....	\$2,083.2	\$1,908.1	\$1,724.9	\$1,520.2	\$1,373.8
Costs and expenses.....	1,998.3	1,784.0	1,632.9	1,445.3	1,272.1
Income from operations.....	84.9	124.1	92.0	74.9	101.7
Other income and (expense).....	52.7	14.5	(4.5)	(12.1)	4.1
Taxes on income.....	(48.3)	(45.6)	(26.7)	(20.0)	(41.1)
Share of earnings of international affiliates...	44.2	44.1	32.8	19.3	8.5
Effect of accounting change					23.0
Net income.....	<u>\$ 133.5</u>	<u>\$ 137.1</u>	<u>\$ 93.6</u>	<u>\$ 62.1</u>	<u>\$ 96.2</u>
Per share:					
Net income.....	\$ 3.43	\$ 3.52	\$ 2.41	\$ 1.60	\$ 2.65
Dividends.....	1.00	.90	.80	.76	.72

In 1980 sales increased over the prior year by 9% as sales of the Packaged Products Division increased 15% and sales of S. D. Warren Division decreased 6%. Operations of both divisions were disrupted by strikes in the third quarter of 1980. Costs and expenses increased by 12%. These factors resulted in a decrease in income from operations of U.S. \$39.2 million. Scott's share of the gain on the sale of the assets of Elk River Timber Company, offset in part by provision for mill closings and dispositions, accounted for the U.S. \$38.2 million increase in other income in 1980.

The investment in Scott has been carried at cost and income therefrom accounted for by the Company on the basis of dividends received. With the increase in the Company's interest to 20.5% of Scott's common stock and the right to nominate up to four directors for election to Scott's board of directors, the Company may account for the investment on the equity method. The current annual dividend rate is U.S. \$1.00 per share.

Other Consumer Products Investments

Consumers Glass Company Limited

In 1978, the Company acquired approximately 10% of the shares of Consumers Glass Company Limited ("Consumers Glass"). Subsequent purchases have increased the Company's interest in Consumers Glass to 15.7%. The total cost of the Consumers Glass investment was \$11.2 million. Consumers Glass is engaged in the manufacture and sale of glass and plastic packaging, containers, closures and filling equipment for the food, beverage, drug and chemical industries. It owns and operates two plastic packaging subsidiaries in the United States and has a 45% interest in Glass Containers Limited, an Australian glass container manufacturing company.

Consumers Glass has reported earnings and paid dividends for the past five years as follows:

	Year Ended December 31				
	1980	1979	1978	1977	1976
	(millions except per share amounts)				
Net sales.....	\$195.0	\$178.0	\$149.5	\$119.8	\$120.3
Net income.....	7.0	10.4	8.9*	3.9	5.3
Earnings per share.....	1.37	2.03	2.10	.77	1.05
Dividends per share.....	1.00	.90	.50	.46	.43

*Before extraordinary credit of \$1.9 million arising from the reorganization of certain subsidiaries.

The decline in earnings in 1980 arose principally because of lower shipments of glass containers, the start-up of the Milton, Ontario plant and higher interest costs.

Dividends paid amounted to \$1.00 per share in 1980 compared with \$0.90 per share in 1979. The investment in Consumers Glass is carried at cost and income therefrom is accounted for on the basis of dividends received.

The Quaker Oats Company

Between February 7, 1980 and May 20, 1980 the Company purchased 961,700 shares of The Quaker Oats Company for approximately \$31.6 million representing approximately a 4.9% equity interest. On April 9, 1981 the Company sold to The Quaker Oats Company for U.S. \$3.4 million an option exercisable in mid-June, 1981 to purchase these shares at an exercise price of U.S. \$34.00 per share. The Company has agreed that in the event that the option is exercised, the Company will not purchase any shares of The Quaker Oats Company for a period of five years from the exercise date. In the following discussion, references to "Quaker" mean The Quaker Oats Company and its subsidiaries.

Quaker is an international manufacturer and marketer of consumer products and services. Quaker's business is divided into five segments: United States grocery products, international grocery products, international foods and restaurants, toys and crafts and chemicals.

Quaker has reported earnings and paid dividends for the past five years as follows:

	Year Ended June 30				
	1980	1979	1978	1977	1976
	(millions except per share amounts) (U.S. \$)				
Total sales.....	\$2,405.2	\$1,966.3	\$1,685.6	\$1,551.3	\$1,473.0
Net income(1).....	96.4	84.5	75.3	69.2	57.9
Earnings per common share(1).....	4.55	4.01	3.42	3.09	2.53
Dividends per common share.....	1.40	1.20	1.04	.92	.84

(1) Amounts in 1978 and prior years are pro-forma assuming retroactive application of the 1979 change in method of accounting for investment tax credit.

Net income of U.S. \$96.4 million in fiscal 1980 was 14% higher than in fiscal 1979. Factors contributing to this increase were a 17% improvement in operating income and net foreign exchange gains of U.S. \$1.8 million compared with foreign exchange losses of U.S. \$4.8 million in fiscal 1979, partially offset by an increase of U.S. \$11.7 million in net interest expense.

Consolidated sales for the six months ended December 31, 1980 were U.S. \$1,333.2 million, up 12% from last year's U.S. \$1,192 million. Net income for the six months was U.S. \$45.1 million or U.S. \$2.12 per common share compared with U.S. \$46.4 million or U.S. \$2.19 per common share for the same period last year. The decline of U.S. \$0.07 per common share is primarily due to the loss on sale of the Biscuit group of the Burry Division recorded in the first quarter.

The investment in Quaker is carried at cost and income therefrom is accounted for on the basis of dividends received. The annual dividend rate was raised in fiscal 1981 to U.S. \$1.60 per share.

Financial Services

London Life Insurance Company

London Life Insurance Company ("London Life") is a Canadian life insurance and financial services company. London Life's services include individual participating and non-participating life insurance and annuity policies, and group insurance policies comprising group life, group health and group pension policies. During 1980, it became the first company to provide Canadians with \$20 billion of individual life insurance protection in force.

In July 1977 the Company acquired a 37% interest in Lonvest Corporation ("Lonvest"). Of the remaining 63%, 37% is owned by a company controlled by the Jeffery family, who previously held effective control of London Life, and the balance of 26% is owned by a Canadian chartered bank and one of its subsidiaries. Lonvest acquired 329,880 shares or 66% of the outstanding shares of London Life. Since that time the Company has acquired an additional 71,643 shares, raising its direct and indirect holding in London Life to 39%. The shareholdings in Lonvest are subject to a shareholders agreement pursuant to which the shareholders have a right of first refusal on the sale of Lonvest shares by any other shareholder. In addition, under certain circumstances Brascan has the obligation to purchase Lonvest shares from the other shareholders.

London Life maintains a network of 134 offices across Canada. These offices provide service for both individual and group coverage, and for the administration of its extensive mortgage operations. Funds available are invested in mortgages, bonds, equities, policy loans and real estate equity investments. London Life is the largest residential mortgage lender among Canadian insurance companies.

Set forth below is a condensed statement of income and other financial information for the years 1977 to 1980. Information for 1976 has not been included as it is not comparable due to changes in the accounting policies prescribed or permitted by the Department of Insurance of Canada.

	Year Ended December 31			
	1980	1979	1978	1977
	(millions except per share amounts)			
New life insurance issued:				
Individual policies.....	\$ 3,005	\$ 2,482	\$ 2,473	\$ 2,428
Group policies.....	1,206	1,355	1,133	862
Total.....	<u>\$ 4,211</u>	<u>\$ 3,837</u>	<u>\$ 3,606</u>	<u>\$ 3,290</u>
Total life insurance in force:				
Individual policies.....	\$21,597	\$19,828	\$18,462	\$16,917
Group policies.....	11,786	10,374	8,942	7,630
Total.....	<u>\$33,383</u>	<u>\$30,202</u>	<u>\$27,404</u>	<u>\$24,547</u>
Income:				
Premiums.....	\$ 568.4	\$ 505.0	\$ 472.9	\$ 454.0
Investment income – net.....	323.5	290.5	254.1	218.7
	<u>891.9</u>	<u>795.5</u>	<u>727.0</u>	<u>672.7</u>
Distribution:				
For policyholders and beneficiaries.....	560.2	509.6	473.3	452.6
For operating expenses.....	142.7	132.8	128.2	121.0
	<u>702.9</u>	<u>642.4</u>	<u>601.5</u>	<u>573.6</u>
Income from operations before dividends and taxes.....	<u>189.0</u>	<u>153.1</u>	<u>125.5</u>	<u>99.1</u>
Dividends to policyholders.....	116.7	91.9	77.5	65.8
Premium taxes.....	7.3	7.1	6.5	6.4
Income taxes.....	11.7	19.3	17.4	10.9
	<u>135.7</u>	<u>118.3</u>	<u>101.4</u>	<u>83.1</u>
Net income.....	<u>\$ 53.3</u>	<u>\$ 34.8</u>	<u>\$ 24.1</u>	<u>\$ 16.0</u>
Portion attributable to shareholders ⁽¹⁾	\$ 23.2	\$ 12.3	\$ 10.0	\$ 7.1
Earnings per share.....	46.43	24.66	19.94	14.11
Dividends per share:				
Regular.....	8.00	4.75	2.64	2.39
Special.....	—	—	10.00	—
Total assets at year end.....	3,860	3,513	3,223	2,926
Rate of return on life branch investments (excluding segregated funds).....	9.11%	8.84%	8.55%	8.21%

(1) The balance of net income is attributable to life branch participating policyholders. The portion of earnings attributable to shareholders in 1980 was an amount equal to the sum of:

- (i) the earnings of the non-participating life branch accounts;
- (ii) the earnings of the health branch accounts;
- (iii) the investment income on shareholders' accounts; and
- (iv) 2½% of the earnings of the life branch participating accounts before distribution to policyholders and shareholders.

In 1980, premium and investment income increased by 12%. This was accompanied by favourable mortality. Amounts provided for policyowners and beneficiaries, together with operating expenses, increased by 8.7%.

All lines of business produced improved net income. Performance of the group health insurance business was notable, generating \$3.9 million of net income after several years of losses. Net income in 1980 was favourably affected by special tax circumstances which are not likely to recur.

The Company accounts for its investment in London Life on the equity method based on earnings as reported by London Life.

Royal Trustco Limited

Between March 20 and March 25, 1981, the Company acquired an equity interest of approximately 14.6% (fully diluted) in Royal Trustco Limited ("Royal Trustco"), representing the equivalent of 2,869,740 common shares, at a cost of approximately \$64.2 million.

Royal Trustco's principal operating subsidiary is Royal Trust Corporation of Canada, Canada's largest trust company. Royal Trustco's major operations in Canada include trust, financial intermediary, real estate and computer service operations. Banking and trust services are conducted in the United States, principally in Florida, and overseas.

Royal Trustco has reported earnings and paid dividends for the past five years as follows:

	Year Ended December 31				
	1980	1979	1978	1977	1976
		(millions except per share amounts)			
Total income.....	\$1,137.6	\$894.3	\$702.2	\$595.5	\$504.0
Net income.....	37.5	29.0	28.8	21.1	19.1
Earnings per common share.....	1.91	1.70	1.81	1.33	1.31
Dividends per common share.....	.97	.92	.82	.72	.69

Net income in 1980 of \$37.5 million represented a 29% increase over the level of \$29.0 million recorded in 1979. After deduction for preferred dividends, net income applicable to common shareholders was approximately \$31.2 million compared to \$27.1 million for 1979, an increase of 15%. Total assets at the end of 1980 were approximately \$8.3 billion, an increase of 17% above the 1979 level of \$7.1 billion. Total assets under administration increased from approximately \$25.8 billion in 1979 to \$31.3 billion in the latest year.

The investment in Royal Trustco is carried at cost and income therefrom is accounted for on the basis of dividends received. The current annual dividend rate is \$1.12 per share.

Triarch Corporation Limited

The Company owns 51.0% of the outstanding common shares of Triarch Corporation Limited ("Triarch"). Triarch provides merchant banking and other financial services. In 1980, Triarch shifted its merchant banking operations to concentrate on agency activities, including the syndication of term loans, which permitted it to reduce its capital by \$8.5 million to \$5.0 million. Triarch owns 20% of Canadian Venture Capital Corporation which it manages. In 1980, Triarch sold its investment in Elliott & Page Limited, an investment advisory firm. For the year ended December 31, 1980 Triarch reported income of \$0.6 million compared to \$0.9 million in 1979.

Other Assets

Financial Assets

In addition to its investments in the natural resource and consumer products areas and its investments in London Life, Triarch and Brascan Brazil, the Company had \$343 million in cash, short term investments and marketable and other securities at December 31, 1980. The Company manages these assets with the objective of preserving a substantial degree of liquidity and maximizing its return while maintaining a high quality portfolio. Brascan intends to continue to maintain liquidity not only to enable it to act expeditiously in undertaking additional long term investments but also to enable it to financially assist its subsidiaries and associates if requested so to do from time to time.

Brascan has established lines of credit with its bankers aggregating \$700 million of which \$357 million was undrawn at April 16, 1981.

The Company also held \$114 million as at December 31, 1980 in debentures, loans and notes.

Brascan Brazil

Brascan has various subsidiaries in Brazil which are collectively known as "Brascan Brazil". Brascan Brazil has a corporate staff which oversees the operations of those companies for which the Company has operating responsibility. Such companies include Comphania Estanífera do Brasil ("CESBRA"), Comphania de Mineração Jacundá ("Jacundá") and Mineração Brasileira S.A. ("MIBRASA"), all of which are involved in tin mining or smelting, and Brascan Imobiliária S.A. ("BISA"), a real estate development company. In addition, Brascan Brazil monitors those investments for which the Company does not have operating responsibility such as SASA-Administração e Participações S.A. ("Swift-Armour") and FNV-Fábrica Nacional de Vagões S.A. ("FNV") which are the main components of the consumer and industrial products group. Brascan Brazil is also continually examining other investment opportunities in Brazil.

The Company's net equity by area of investment in Brazil was as follows:

	At December 31	
	1980	1979
	(millions)(1)	
Natural resources.....	\$ 55.8	\$ 18.9
Real estate development.....	62.5	33.6
Consumer and industrial products.....	26.5	55.1
Financial services (sold in 1980).....	—	30.1
Other assets.....	37.0	74.1
Total net equity.....	<u>\$181.8</u>	<u>\$211.8</u>

(1) Represents cruzeiro book balances, determined in accordance with Brazilian accounting practices, translated at the exchange rates on December 31 of each year.

The investment in Brascan Brazil carried in the accounts of the Company at \$61.1 million at December 31, 1980 represents those subsidiaries a substantial portion of whose capital is registerable under Brazilian foreign investment legislation. Of the total net equity above, the net equity of companies with registerable capital was \$61.5 million. The investment in the only subsidiary whose capital is not registered under such legislation is not reflected in the accounts and will be recorded only when converted into dollars. Of the total net equity above, the net equity of that subsidiary was \$120.3 million at December 31, 1980. This is carried at no value in the Company's accounts because present Brazilian foreign investment legislation prohibits the remittance of non-registered capital and income earned thereon. Registered capital is remittable under such legislation and annual dividends on registered capital are effectively limited to 12% of registered capital, net of 25% withholding tax. As at December 31, 1980 the Company's registered capital under such legislation was approximately \$44 million including approximately \$15.9 million the registration of which is being transferred from Patino N.V. to the Company as part of the acquisition of CESBRA.

The Company records income from Brascan Brazil only when received by way of dividends in dollars. No such dividends were received in 1980. In 1979, the dividends received (net of withholding tax) of \$3.6 million were applied to reduce the carrying value of Brascan Brazil.

Changes in investments

As a result of the review of the corporate structure and investments initiated in 1979, substantial changes were made in the investments of Brascan Brazil which are reflected in the table above. In April 1980, an investment in Skol-Caracú held jointly by Brascan and Labatt, was sold for the cruzeiro equivalent of U.S. \$45 million. In June 1980, under an agreement with a Canadian chartered bank, Brascan exchanged its investment in the Brazilian holding company for the financial services group for 1.4 million common shares of the bank and preferred shares of a subsidiary of the bank, having an aggregate price of approximately \$87 million. After provision for taxes, no gain or loss on this sale was reported. In July 1980, Brascan acquired from Labatt all the shares of its wholly-owned Brazilian subsidiary holding company, John Labatt do Brasil Participações Ltda., for \$15.7 million. Following its acquisition, the name of the company was changed to Brascan Participações Ltda. In October 1980, \$35.5 million was realized on the restructuring of the investment in one of the registered companies. This substantially covered the purchase from Patino N.V. of its 96% interest in CESBRA, for \$38.2 million.

Operations

Presently Brascan Brazil's major areas of activities are natural resources and real estate development.

The natural resources area is dominated by tin mining and smelting. Jacundá and MIBRASA, two tin mining companies, have contiguous tin properties in the territory of Rondônia. The latter company was acquired as part of the 1980 CESBRA transaction. CESBRA has adequate smelting capacity to process the tin concentrate from the tin mines. In addition to tin metal, it produces and markets solders and tin oxide. Other natural resource interests include a joint venture extracting diamonds, exploration programs for gold and diamonds and a 49% participation in a joint venture managed by MacMillan Bloedel Limited which was formed for the purpose of developing a forest plantation in Brazil.

Since real estate development operations were started in 1978, eight condominium projects have been started. Of these projects six are residential which contain an aggregate of approximately 975 apartment units. At December 31, 1980 approximately 90% of these units had been sold. The other two projects are commercial including both retail and office space. These projects are also being developed on a condominium basis and at December 31, 1980 one project was completely sold and the second was approximately three-quarters sold. Construction is proceeding satisfactorily and is at varying stages of completion on these projects. To date all projects undertaken have been in Rio de Janeiro. BISA opened an office in São Paulo in 1980 to expand operations into that city. Real estate operations also include a 60% interest in the Rio Inter-Continental Hotel which continues to operate on a profitable basis.

In addition, Brascan Brazil has a 42% interest in Swift-Armour, a company involved in cattle farming, meat processing and consumer products. It also has a 24% interest in FNV, a metal fabricator and manufacturer of heavy equipment.

In view of the changes in investments discussed above, the reorganization of the assets of Brascan Brazil and the extensive alterations in Brazilian company law, particularly as it relates to indexing of assets and shareholders' equity, presentation of meaningful five year financial information on the investments is impracticable.

MANAGEMENT COMMENTS ON VARIATIONS IN OPERATING RESULTS

Two Years Ended December 31, 1980 (as stated in Canadian dollars)

Income from continuing operations in 1980 increased by \$40.9 million with the major portion of the increase occurring in the natural resources segment. This increase reflects the inclusion of dividends on the Noranda shareholding for a full year in 1980 following the acquisition of these shares in the fourth quarter of 1979, an increase in the earnings of the petroleum and natural gas area of Westmin due to higher prices and volumes and higher levels of earnings from Labatt and London Life.

Interest on debt was higher in 1980 due primarily to inclusion of a full year's interest on the promissory note given in 1979 in payment for a portion of the Noranda investment. The 1979 accounts included interest thereon for approximately three months.

The common and preferred shares received by Brascan in 1980 from a Canadian chartered bank and one of its subsidiaries on the sale of its Brazilian financial services group have generated and are expected to continue to generate dividend income for the Company. No income from the Brazilian financial services group was included in Brascan's 1979 or 1980 income.

The results for 1979 stated in Canadian dollars include the foreign exchange losses arising from translation of 1979 results from United States dollars to Canadian dollars for reporting purposes. In 1979, when the Company reported its results in United States dollars, action was taken to minimize exchange losses in that currency, including the matching of currency exposures in both assets and liabilities to the extent practical, and the utilization of forward currency contracts as required.

General corporate expenses for 1980 reflect the reduced level of overhead in that year. Such expenses in 1979 included certain unusual non-recurring costs. Reference is made to note 15(g) of the notes to the consolidated financial statements.

Two Years Ended December 31, 1979 (as stated in U.S. dollars)

As indicated under "Business of the Company" the operations of the Company changed markedly during 1979 and the comments below are restricted to income from continuing operations included in the statement of consolidated income.

Income before unallocated expenses increased from \$46.0 million in 1978 to \$103.0 million in 1979 due principally to increases of \$40.4 million in investment income and \$17.5 million in the natural resources segment. The increase in investment income was attributable to the investment of the proceeds received in 1979 on the sale of the Company's Brazilian electric utility subsidiary. In 1979 earnings of the mining division of Westmin increased substantially due to increased metal prices. This, together with the receipt of an initial dividend on the Noranda investment in the fourth quarter of 1979, accounted for the major portion of the increase in the natural resources segment.

Increased current and deferred income and mining taxes reflected the higher income in the natural resources segment and the increase in investment income. However, current income taxes were largely offset by the utilization of a loss carry-forward. Reference is made to note 12 of the notes to the consolidated financial statements.

In 1978 an extraordinary charge to income of \$453.6 million arising from the sale of Light resulted in a net loss for the year of \$371.1 million.

SHARE CAPITAL OF BRASCAN

The share capital of Brascan as at December 31, 1980, adjusted to include the issue of 15,287 Class A Convertible Ordinary Shares on January 1, 1981, and the creation of the 1981 Preferred Shares, consisted of:

- (a) 593 Six per Cent Cumulative Preference Shares (the "Preference Shares") all of which were issued and outstanding;
- (b) an unlimited number of Preferred Shares (the "1976 Preferred Shares") issuable in series of which:
 - (i) 1,393,500 have been designated as 8½% Tax Deferred Preferred Shares Series A (the "1976 Series A Preferred Shares"), all of which were issued and outstanding; and
 - (ii) 1,400,000 have been designated as 10% Cumulative Redeemable Preferred Shares Series B (the "1976 Series B Preferred Shares") into which the 1976 Series A Preferred Shares are convertible, none of which have been issued;
- (c) an unlimited number of 1981 Preferred Shares issuable in series of which:
 - (i) the \$2.6875 Cumulative Redeemable 1981 Preferred Shares Series A (the "1981 Series A Preferred Shares") offered by this prospectus would be the first series; and
 - (ii) the floating rate Cumulative Redeemable 1981 Preferred Shares Series B described under "Issue of 1981 Series B Preferred Shares" would be the second series; and
- (d) an unlimited number of Class A Convertible Ordinary Shares (the "Class A Ordinary Shares"), of which 25,868,567 were issued and outstanding; an unlimited number of Class B Convertible Ordinary Shares (the "Class B Ordinary Shares"), of which 779,429 were issued and outstanding; and 5,000,000 Class C Convertible Ordinary Shares (the "Class C Ordinary Shares"), of which 2,006,346 were issued and outstanding.

DETAILS OF THE OFFERING

The following is a summary of the material provisions attached to the 1981 Preferred Shares as a class and to be attached to the 1981 Series A Preferred Shares as a series.

Certain Provisions of the 1981 Preferred Shares as a Class

Issuable in Series

The 1981 Preferred Shares are unlimited in number and are issuable from time to time in one or more series. The board of directors shall fix before issue the number of, the designation of and the provisions attaching to each series.

Issue Price

The board of directors is empowered to set the issue price per share for each series of the 1981 Preferred Shares.

Priority

The 1981 Preferred Shares of each series rank on a parity with the 1981 Preferred Shares of every other series with respect to accumulated dividends and the return of capital. The 1981 Preferred Shares are entitled

to preference over the Class A Ordinary Shares, the Class B Ordinary Shares, the Class C Ordinary Shares and any other shares ranking junior to the 1981 Preferred Shares, and rank junior to the Preference Shares and the 1976 Preferred Shares, with respect to the payment of dividends and the return of capital.

Voting Rights

The board of directors is empowered to set voting rights for each series of 1981 Preferred Shares. The holders of the 1981 Preferred Shares are not entitled to any voting rights as a class except as provided by law or as described under "Modification" below.

Modification

The class provisions attached to the 1981 Preferred Shares may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of the holders of the 1981 Preferred Shares duly called and held for that purpose.

Certain Provisions of the 1981 Series A Preferred Shares

Issue Price

The 1981 Series A Preferred Shares will have an issue price of \$25.00 per share.

Dividends

The holders of the 1981 Series A Preferred Shares will be entitled to receive fixed cumulative preferential cash dividends, as and when declared by the board of directors, at the rate of \$2.6875 per share per annum, to accrue from the date of original issue and to be payable quarterly on the 15th day of February, May, August and November in each year. Assuming an issue date of May 14, 1981, an initial dividend of \$0.68 will be payable on August 15, 1981.

Retraction Privilege

A holder of 1981 Series A Preferred Shares will have the option of requiring Brascan to redeem any or all of his 1981 Series A Preferred Shares on May 15, 1986 (the "retraction date") at a price equal to \$25.00 per share plus all accrued and unpaid dividends. The retraction privilege will be exercisable by the holder irrevocably depositing with Brascan or the transfer agent not less than 30 days prior to the retraction date, the share certificate(s) representing the 1981 Series A Preferred Shares to be redeemed. Brascan shall, not more than 90 days and not less than 60 days prior to the retraction date, give written notice of the retraction privilege.

If the redemption by Brascan on the retraction date of all 1981 Series A Preferred Shares tendered for redemption would be contrary to applicable law or the provisions attached to any shares of Brascan ranking prior to the 1981 Series A Preferred Shares, Brascan will be required to redeem on a pro rata basis the maximum number of shares it is then permitted to redeem. Thereafter Brascan will be required to redeem on each succeeding dividend payment date, on a pro rata basis from 1981 Series A Preferred Shares deposited by the holders thereof on or before the thirtieth day preceding such dividend payment date, the lesser of (i) the number of shares so deposited, and (ii) the number of shares which it is then permitted to redeem.

Conversion into Further Series

In addition to being entitled to require Brascan to redeem his shares (as described under "Retraction Privilege") or to continue to hold his shares, a holder of 1981 Series A Preferred Shares will have the right to convert any or all of them into shares of a further series of 1981 Preferred Shares if Brascan elects on or before March 15, 1986 to create a further series of 1981 Preferred Shares (the "Additional Shares") into which the 1981 Series A Preferred Shares may, at the option of the holder, be converted. If Brascan elects to create the Additional Shares, it may issue such shares only if:

- (a) it creates a sufficient number of Additional Shares to permit the conversion of all 1981 Series A Preferred Shares then outstanding;
- (b) it is not in arrears in the payment of dividends on any 1981 Preferred Shares or otherwise in default under the provisions attaching to any series thereof;
- (c) it uses its best efforts to qualify, if necessary, the Additional Shares for distribution to the public in all provinces of Canada in which there are then registered holders of 1981 Series A Preferred Shares or in which there is then a stock exchange on which the 1981 Series A Preferred Shares are listed; and
- (d) it uses its best efforts to list the Additional Shares on each stock exchange on which the 1981 Series A Preferred Shares are then listed.

If Brascan elects to create the Additional Shares the holders of the 1981 Series A Preferred Shares will be entitled to convert their shares during a conversion period commencing no later than the retraction date and ending no earlier than six months after the retraction date into Additional Shares on a share for share basis. In the event that new share certificates are required upon a conversion, Brascan will make such certificates available without charge to shareholders upon surrender of the share certificates representing the 1981 Series A Preferred Shares so converted.

Redemption

The 1981 Series A Preferred Shares will not be redeemable at the option of Brascan prior to May 15, 1986. On and after May 15, 1986, the 1981 Series A Preferred Shares will be redeemable at the option of Brascan, in whole at any time or in part (by lot or pro rata at the discretion of the board of directors) from time to time, on not less than 30 days' notice at the following prices per share plus all accrued and unpaid dividends calculated to the redemption date:

<u>If redeemed in the 12 months commencing May 15</u>	<u>Price per share</u>
1986	\$26.25
1987	\$26.00
1988	\$25.75
1989	\$25.50
1990	\$25.25
1991 and thereafter	\$25.00

Purchase for Cancellation

Brascan may at any time or times purchase for cancellation by private contract, in the market or by invitation for tenders to all holders, the whole or any part of the 1981 Series A Preferred Shares then outstanding at a price per share, if purchased prior to May 15, 1986, not exceeding \$26.25 plus accrued and unpaid dividends, and at a price per share, if purchased at any other time, not exceeding the then applicable redemption price, plus in each case the costs of purchase.

Purchase Obligation

Except as noted under "Restrictions on Dividends and Retirement of Shares", Brascan will make all reasonable efforts to purchase for cancellation in the open market, at a price not exceeding \$25.00 per share plus accrued and unpaid dividends and costs of purchase;

- (a) in each calendar quarter from and including the calendar quarter beginning on July 1, 1981 to and including the calendar quarter ending on June 30, 1986, 20,000 1981 Series A Preferred Shares (representing annually 2% of the number of 1981 Series A Preferred Shares originally issued); and
- (b) in each calendar quarter thereafter 1% of the number of 1981 Series A Preferred Shares outstanding at the close of business on May 15, 1986 (representing annually 4% of the number of 1981 Series A Preferred Shares outstanding on that date).

If, notwithstanding the making of all reasonable efforts, Brascan is unable to fulfil such obligation in any calendar quarter, the obligation will carry over only to the succeeding calendar quarters of the same calendar year and will thereupon be extinguished. Brascan will not be obligated to purchase any 1981 Series A Preferred Shares if and so long as such purchase would be contrary to any applicable law or the provisions attached to any shares of Brascan ranking prior to the 1981 Series A Preferred Shares.

Restrictions on Dividends and Retirement of Shares

Unless all dividends on the 1981 Series A Preferred Shares accrued up to and including the dividend payable on the last preceding dividend payment date shall have been declared and paid or set apart for payment Brascan will not, without the approval of the holders of the 1981 Series A Preferred Shares (given in the same manner as described under "Modification" below):

- (a) declare or pay any dividend on any shares of Brascan ranking junior to the 1981 Series A Preferred Shares (other than stock dividends in any shares ranking junior to the 1981 Series A Preferred Shares); or
- (b) redeem, purchase or make any capital distribution in respect of any shares of Brascan ranking junior to the 1981 Series A Preferred Shares (except out of the net cash proceeds of a substantially concurrent issue of shares of Brascan ranking junior to the 1981 Series A Preferred Shares); or
- (c) except in connection with the exercise of the retraction privilege attaching thereto, redeem, purchase or otherwise retire less than all of the 1981 Series A Preferred Shares; or

- (d) except in connection with the exercise of a retraction privilege attaching thereto and provided that an equivalent retraction privilege is extended to the holders of the 1981 Series A Preferred Shares, redeem, purchase or make any capital distribution in respect of any other shares ranking on a parity with the 1981 Series A Preferred Shares.

Creation or Issue of Additional Shares

Subject to the right of Brascan to issue 1976 Series B Preferred Shares upon conversion of 1976 Series A Preferred Shares and to issue Additional Shares in exchange for 1981 Series A Preferred Shares as described under "Conversion Privilege", so long as any of the 1981 Series A Preferred Shares are outstanding, in addition to any shareholder approvals required by applicable law, the approval of the holders of the 1981 Series A Preferred Shares, given in the same manner as described under "Modification" below, will be required for the creation or issuance of any shares ranking prior to or on a parity with the 1981 Series A Preferred Shares; provided however, that additional series of 1981 Preferred Shares may be issued without such approval if all dividends on the 1981 Preferred Shares of each series accrued up to and including the dividend payable on the last preceding dividend payment date shall have been declared and paid or set apart for payment.

Voting Rights

The holders of 1981 Series A Preferred Shares will not be entitled as such to receive notice of or to attend or to vote at any meeting of the shareholders of Brascan unless and until dividends on the 1981 Series A Preferred Shares shall be in arrears to the extent of eight quarterly dividends, whether or not consecutive. In that event, and so long as any dividends on the 1981 Series A Preferred Shares remain in arrears, the holders of such shares will be entitled to receive notice of and to attend meetings of shareholders of Brascan at which directors are to be elected and will be entitled to vote at any such meeting on the basis of one vote for each share held.

Rights on Liquidation

In the event of the liquidation, dissolution or winding-up of Brascan, the holders of the 1981 Series A Preferred Shares shall, subject to the prior rights of the holders of the Preference Shares and of the 1976 Preferred Shares, be entitled to receive \$25.00 per share together with all accrued and unpaid dividends thereon up to the date of distribution, and if such liquidation, dissolution or winding-up is voluntary, a premium of \$1.25 if such event commences prior to May 15, 1986, and, if such event commences thereafter, a premium equal to the premium over \$25.00 which would be payable as part of the then applicable redemption price of the 1981 Series A Preferred Shares as if such shares were to be redeemed at the date such event commences, before any amount shall be paid or any assets of Brascan shall be distributed to the holders of any shares ranking junior to the 1981 Series A Preferred Shares. Upon payment to the holders of the 1981 Series A Preferred Shares of the amounts so payable to them, they shall not be entitled to share in any further distribution of the assets of Brascan.

Modification

The series provisions to be attached to the 1981 Series A Preferred Shares may not be amended without such approval as may then be required by law, subject to a minimum requirement of approval by the affirmative vote of at least two-thirds of the votes cast at a meeting of holders of the 1981 Series A Preferred Shares duly called and held for that purpose.

ISSUE OF 1981 SERIES B PREFERRED SHARES

Brascan intends to create, issue and place privately a second series of 1981 Preferred Shares (the "1981 Series B Preferred Shares") and is negotiating with a limited number of purchasers for the purchase thereof at an aggregate price of \$100 million. Brascan expects that the provisions to be attached to the 1981 Series B Preferred Shares will provide that the holders thereof will be entitled to dividends at a floating rate equal to one half of the average prime commercial lending rates of two Canadian chartered banks plus 1½% and to require the redemption of the 1981 Series B Preferred Shares following the tenth anniversary of the date of their issue.

DESCRIPTION OF OTHER SHARES

The following is a summary of the material provisions attaching to the Preference Shares, the 1976 Preferred Shares and the Class A Ordinary Shares, Class B Ordinary Shares, and Class C Ordinary Shares (the "Ordinary Shares").

Preference Shares

The principal provisions attaching to the Preference Shares are substantially as follows:

- (a) The holders of the Preference Shares are entitled to receive fixed cumulative preferential dividends at the rate of 6% per annum upon the amount paid up thereon (\$100 per share) as and when declared by the directors of Brascan in priority to the payment of dividends on any other shares of Brascan.
- (b) In the event of the winding-up or dissolution of Brascan or other distribution of capital among its shareholders, the holders of the Preference Shares are entitled to receive the amount paid up thereon plus accrued and unpaid dividends to the date of the commencement of the winding-up or the date of the dissolution or distribution, in priority to any payments to the holders of any other shares of Brascan, but have no further right to participate in the assets of Brascan.
- (c) The Preference Shares are convertible, at the option of the holder, at convenient periods in each year to be named by Brascan, into Class A Ordinary Shares on the basis of eight Class A Ordinary Shares for one and two tenths of a Preference Share.
- (d) The holders of the Preference Shares have the right at any meeting of the shareholders of Brascan (except at a meeting at which only the holders of another class or series of shares are entitled to vote) on a poll to eight votes in respect of each Preference Share held by them.

1976 Preferred Shares

The principal provisions attaching to the 1976 Preferred Shares as a class are substantially as follows:

- (a) The 1976 Preferred Shares are unlimited in number and are issuable from time to time in one or more series. The directors of Brascan are required to fix before issue the number and designation of, and the provisions attached to, each series.
- (b) The 1976 Preferred Shares of each series rank on a parity with the 1976 Preferred Shares of every other series with respect to accumulated dividends and return of capital and, subject to the prior rights of the Preference Shares, are entitled to preference over the 1981 Preferred Shares, the Class A Ordinary Shares, the Class B Ordinary Shares, the Class C Ordinary Shares and any other shares ranking junior to the 1976 Preferred Shares.
- (c) The holders of the 1976 Preferred Shares are entitled to one vote in respect of each share held at all meetings of shareholders of Brascan except at meetings at which only the holders of another series or class of shares are entitled to vote.
- (d) Subject to the provisions of the Canada Business Corporations Act and to the provisions relating to any particular series, Brascan may purchase for cancellation or redeem the whole or any part of the 1976 Preferred Shares of any one or more series.
- (e) Subject to the provisions of the Canada Business Corporations Act and in addition to any other consent or approval required thereby, the provisions attaching to the 1976 Preferred Shares may be amended with the approval given in writing by the holders of two-thirds of the outstanding 1976 Preferred Shares or by at least two-thirds of the votes cast at a meeting of the holders of such shares called for the purpose at which each holder present in person or by proxy is entitled to one vote in respect of each 1976 Preferred Share held.

The principal provisions attaching to the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares are substantially as follows:

- (a) The consideration for the issue of each 1976 Series A Preferred Share and each 1976 Series B Preferred Share is \$25.
- (b) The holders of the 1976 Series A Preferred Shares are entitled to receive fixed quarterly cumulative preferential cash dividends at the rate of 8½% per annum applied to \$25 per share payable as and when declared by the directors of Brascan out of its tax deferred surplus or at the rate of 10% per annum applied to \$25 per share if not payable out of tax deferred surplus due to an insufficiency thereof. The holders of the 1976 Series B Preferred Shares are entitled to receive fixed quarterly cumulative preferential cash dividends at the rate of 10% per annum applied to \$25 per share as and when declared by the directors of Brascan. The holders of the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares are not entitled to any dividends other than or in excess of such quarterly cumulative preferential dividends.

- (c) In the event of the liquidation, dissolution or winding-up of Brascan the holders of the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares are, subject to the prior rights of the holders of the Preference Shares, entitled to receive \$25 per share plus accrued and unpaid dividends in priority to any payment to the holders of the 1981 Preferred Shares, the Class A Ordinary Shares, the Class B Ordinary Shares, the Class C Ordinary Shares or any other shares of Brascan ranking junior to the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares but have no further right to participate in the assets of Brascan.
- (d) The 1976 Series A Preferred Shares are not redeemable prior to July 15, 1983. Thereafter the 1976 Series A Preferred Shares will be redeemable at the option of Brascan in whole or in part at prices declining from initially \$26 per share to \$25 per share on and after July 15, 1987 plus accrued and unpaid preferential dividends. The 1976 Series B Preferred Shares are redeemable at any time at the option of Brascan in whole or in part at a price of \$25 per share plus accrued and unpaid preferential dividends. Brascan's right to redeem 1976 Series A Preferred Shares or 1976 Series B Preferred Shares is restricted in certain circumstances where the proceeds of redemption would be deemed to be a dividend for tax purposes.
- (e) Brascan is prohibited from purchasing for cancellation 1976 Series A Preferred Shares at a price per share exceeding \$26.50 if purchased prior to July 15, 1983 or the current redemption price if purchased thereafter plus in all cases accrued and unpaid preferential dividends and costs of purchase. Brascan is prohibited from purchasing for cancellation 1976 Series B Preferred Shares at a price per share exceeding \$25 per share plus accrued and unpaid preferential dividends and costs of purchase. Brascan is obliged, during each month in each calendar quarter (cumulative during the calendar quarter), to purchase for cancellation, if and to the extent available at prices not exceeding \$25 per share, an aggregate of 4,667 1976 Series A Preferred Shares and 1976 Series B Preferred Shares, such number of shares to be pro rated between the two series in proportion to the number of shares of each series outstanding on the dividend payment date immediately preceeding the commencement of the calendar quarter.
- (f) The 1976 Series A Preferred Shares are convertible, at any time after April 15, 1988, at the option of the holder, into 1976 Series B Preferred Shares on a share for share basis.
- (g) Unless all dividends payable on the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares have been declared and paid, Brascan is prohibited from:
 - (i) retiring or paying dividends (other than certain stock dividends) on any shares ranking junior to the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares, or
 - (ii) except pursuant to a monthly or other purchase obligation, retiring less than all of the 1976 Series A Preferred Shares or retiring any other 1976 Preferred Shares then outstanding.

There are also restrictions on the right of Brascan to pay dividends on shares other than the 1976 Series A Preferred Shares out of tax deferred surplus or to create or issue shares ranking prior to or in a parity with the 1976 Series A Preferred Shares and the 1976 Series B Preferred Shares.

- (h) Subject to the provisions of the Canada Business Corporations Act and in addition to any other consent or approval required thereby, the provisions attaching to the 1976 Series A Preferred Shares or the 1976 Series B Preferred Shares as a series may be amended with the joint approval given in writing by the holders of two-thirds of the outstanding 1976 Series A Preferred Shares and 1976 Series B Preferred Shares taken together or by at least two-thirds of the votes cast at a joint meeting of the holders of the shares of each series called for the purpose at which each holder present in person or by proxy shall have one vote in respect of each share held.

Ordinary Shares

Subject to the preference of the Preference Shares, the 1976 Preferred Shares and the 1981 Preferred Shares, the holders of Ordinary Shares are entitled to receive dividends as and when declared by the board of directors of Brascan. The holders of Ordinary Shares, other than Class C Ordinary Shares, are entitled to one vote in respect of each Ordinary Share held at all meetings of shareholders of Brascan other than meetings at which only the holders of another series or class are entitled to vote. The holders of Class C Ordinary Shares are entitled to vote only if Brascan has failed to pay a dividend on the Class C Ordinary Shares for two consecutive years, in which event the holders of Class C Ordinary Shares are entitled to one vote in respect of

each Class C Ordinary Share held in the same circumstances as the other holders of Ordinary Shares. In the event of the liquidation, dissolution or winding-up of Brascan, after payment of all outstanding liabilities, and subject to the preference of the Preference Shares, the 1976 Preferred Shares and the 1981 Preferred Shares, the holders of the Ordinary Shares are entitled to receive the remaining property of Brascan.

The board of directors of Brascan may determine with respect to any dividend which may become payable on the Class B Ordinary Shares that such dividend shall be, in whole or in part, in the form of a stock dividend payable in fully paid and non-assessable Class B Ordinary Shares, provided that such stock dividend is equivalent (at the time of declaration) to the cash dividend contemporaneously declared on the other Ordinary Shares. Until 1978, dividends on the Class B Ordinary Shares were paid out of certain defined portions of retained earnings resulting in a different Canadian income tax treatment to shareholders receiving dividends on Class B Ordinary Shares from that of shareholders receiving dividends on other Ordinary Shares. Amendments to the Income Tax Act (Canada) have eliminated this difference.

The Class A Ordinary Shares and the Class B Ordinary Shares are interconvertible, at any time on a share for share basis, at the option of the holder. The Class C Ordinary Shares are convertible into Class A Ordinary Shares, at any time on a share for share basis, at the option of the holder.

INCOME TAX CONSIDERATIONS

In the opinion of counsel, the following is a summary of certain federal Canadian income tax consequences to persons resident in Canada who hold the 1981 Series A Preferred Shares as capital property. Prospective purchasers are urged to consult their own tax advisers as to their particular income tax situations.

Under the Income Tax Act (Canada) (the "Act") dividends received on the 1981 Series A Preferred Shares by an individual will be taxable but will have the benefit of the gross-up and dividend tax credit treatment applicable to dividends paid by a taxable Canadian corporation.

A corporation, other than a "specified financial institution" (as referred to in subsection 112 (2.1) of the Act), will be entitled to deduct dividends received on the 1981 Series A Preferred Shares in computing its taxable income. A specified financial institution will be entitled to a similar deduction so long as the 1981 Series A Preferred Shares are listed on a Canadian stock exchange and that specified financial institution, together with persons related to it, does not own more than 10% of the 1981 Series A Preferred Shares outstanding at the time a particular dividend is received. If such conditions are not met at any time (for example, as a result of retractions, redemptions, conversions and purchases) the 1981 Series A Preferred Shares would constitute "term preferred shares" for the purpose of the Act and such a specified financial institution would not be entitled to such deduction. Private corporations will be subject to paying refundable tax under Part IV of the Act with respect to dividends received on the 1981 Series A Preferred Shares if such dividends are deductible in computing the taxable income of the recipient.

Under present tax legislation, if Brascan elects to create the Additional Shares as described under "Conversion Privilege", the conversion by a holder of 1981 Series A Preferred Shares would not constitute a disposition of the 1981 Series A Preferred Shares and the cost to the holder of the Additional Shares obtained on conversion would be the adjusted cost base to such holder of his 1981 Series A Preferred Shares immediately before the conversion.

DIVIDEND COVERAGE

The maximum annual dividend requirements on the Preference Shares, the 1976 Preferred Shares and the 1981 Series A Preferred Shares will amount to \$13.75 million per annum. Brascan's consolidated earnings (without imputing any return from the proceeds of the 1981 Series A Preferred Shares) before extraordinary items were \$77.30 million for the 12 months ended December 31, 1980, which is approximately 5.62 times such maximum annual dividend requirements (3.19 times if the 1981 Series B Preferred Shares are included and assuming a dividend rate thereon of 10.5%).

After giving effect to this issue, the maximum annual interest requirements of Brascan's consolidated long-term debt outstanding as at December 31, 1980 (assuming a rate of interest on the Brascan \$168.8 million promissory note equal to the current rate of 16.8%), together with the maximum annual dividend requirements on all preferred shares of Brascan and its subsidiaries outstanding as at December 31, 1980 (grossed-up to a

pre-tax equivalent basis using Brascan's 1980 consolidated income tax rate) will amount to \$61.52 million. Brascan's consolidated earnings (without imputing any return from the proceeds of the 1981 Series A Preferred Shares) before extraordinary items, interest on long-term debt and income taxes for the 12 months ended December 31, 1980 were \$135.9 million. This amount is approximately 2.21 times the aggregate annual interest requirements on consolidated long-term debt and annual dividend requirements (grossed-up) on all such preferred shares (1.81 times if the 1981 Series B Preferred Shares are included and assuming a dividend rate thereon of 10.5%).

ASSET COVERAGE

The consolidated net tangible assets of Brascan as at December 31, 1980, after giving effect to this issue are as follows:

	(millions)
Current assets.....	\$ 516.0
Investments	767.3
Property, plant and equipment (less accumulated depreciation).....	171.8
	<u>1,455.1</u>
Less: Current liabilities including current portion of long-term debt.....	\$127.3
Minority shareholders' interest.....	48.3
Long term debt.....	320.3
Preference Shares.....	0.1
1976 Preferred Shares.....	34.8
	<u>530.8</u>
	924.3
Estimated net proceeds of this issue.....	97.9
Consolidated net tangible assets before deduction of deferred income taxes.....	1022.2
Less: Deferred income taxes.....	49.8
Consolidated net tangible assets after deduction of deferred income taxes.....	<u>\$ 972.4</u>

Brascan's consolidated net tangible assets as at December 31, 1980 before deduction of deferred income taxes and after deduction of deferred income taxes were equivalent to 10.22 times and 9.72 times, respectively, the aggregate dollar amount of the 1981 Series A Preferred Shares (5.61 times and 5.36 times, respectively, after giving effect to the proposed issue of \$100 million of 1981 Series B Preferred Shares).

The consolidated net tangible assets as at December 31, 1980 before deduction of long-term debt, the aggregate stated value of the Preference Shares and the 1976 Preferred Shares and minority interest in preferred shares and before deduction of deferred income taxes amounting to \$1,402.4 million (\$1,352.6 million after deduction of deferred income taxes) were approximately 2.92 times (2.82 times after deduction of deferred income taxes) the aggregate dollar amount of such long-term debt and minority interest in preferred shares and all preferred shares of Brascan outstanding after giving effect to this issue (2.59 times and 2.50 times, respectively, after giving effect to the proposed issue of \$100 million of 1981 Series B Preferred Shares).

USE OF PROCEEDS

The estimated net proceeds to Brascan from the sale of the 1981 Series A Preferred Shares will amount to approximately \$97,950,000 after deducting fees payable to the underwriters and estimated expenses of the issue. These proceeds will be initially invested in short-term securities and, together with present resources, internally generated funds and funds raised through external financing, including the proposed issue and sale of the 1981 Series B Preferred Shares, will be available for new investments or for additional investments in present holdings. Brascan is continually reviewing opportunities in Canada, the United States and elsewhere.

PLAN OF DISTRIBUTION

Under an agreement (the "Underwriting Agreement") dated April 22, 1981 and made between Brascan and Dominion Securities Limited, A.E. Ames & Co. Limited, Nesbitt Thomson Securities Limited and Merrill Lynch, Royal Securities Limited (the "Underwriters"), Brascan has agreed to sell and the Underwriters have agreed to purchase on May 14, 1981, or other such date as the parties may agree but in any event not later than June 4, 1981, subject to the terms and conditions contained therein, all but not less than all of the 1981

Series A Preferred Shares offered hereby at a price of \$25.00 per share payable in cash to Brascan against delivery of a certificate representing such shares, and to use their efforts to distribute such shares to the public. The Underwriting Agreement provides that Brascan will pay to the Underwriters fees aggregating \$1,750,000, being a fee of \$250,000 in respect of the shares for which orders from certain corporations are being arranged with the assistance of Brascan and a fee of \$1,500,000 in respect of the balance of the shares.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the 1981 Series A Preferred Shares at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

DIVIDEND RECORD

Brascan has paid dividends per share on its outstanding shares for the five years ended December 31, 1980 as shown in the following table:

	Year ended December 31				
	1980	1979	1978	1977	1976
Preference Shares.....	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
1976 Series A Preferred Shares(1).....	2.125	2.125	2.125	2.23105	.625
Class A Ordinary Shares(2).....	1.40	U.S. \$1.10	U.S. \$1.10	U.S. \$1.08	U.S. \$1.00
Class B Ordinary Shares(1).....	1.40	U.S. \$1.10	U.S. \$1.10	U.S. \$1.08	U.S. \$1.00
Class C Ordinary Shares(2).....	1.40	U.S. \$1.10	U.S. \$1.10	U.S. \$1.08	U.S. \$1.00

(1) Includes 15% tax paid by Brascan on undistributed income with respect to dividends paid on or before April 29, 1977.

(2) Dividends on Class A Ordinary Shares and Class C Ordinary Shares are the same except that the January 31, 1977 and prior dividends were paid in respect of bearer share warrant coupons then outstanding rather than Class C Ordinary Shares.

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and officers of Brascan, the positions and offices presently held by each in Brascan and the principal occupation of each are as follows:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
William Guy Brissenden. Toronto, Ontario	Director	President, William G. Brissenden Inc. (engineering consulting company)
Edward Maurice Bronfman..... Toronto, Ontario	Director.....	Deputy Chairman, Edper Investments Limited (investment holding company)
Peter Frederick Bronfman..... Toronto, Ontario	Director and..... Chairman of the Board	Chairman, Edper Investments Limited (investment holding company)
Jack Lynn Cockwell..... Islington, Ontario	Director and..... Senior Vice-President, Planning	Senior Vice-President, Planning of Brascan
John Trevor Eyton, Q.C. Toronto, Ontario	Director. President and Chief Executive Officer	President and Chief Executive Officer of Brascan
Alfred William Farmilo Calgary, Alberta	Director and..... Executive Vice-President Canada	Executive Vice-President Canada, of Brascan

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Edward Carson Freeman-Attwood..... Rio de Janeiro, Brazil	Director and..... Executive Vice-President Brazil	Executive Vice-President Brazil, of Brascan
John Francis Gallagher..... Northbrook, Illinois	Director.....	Vice-President, International Operations, Sears, Roebuck and Co. (retail merchants)
Antonio Gallotti..... Rio de Janeiro, Brazil	Director.....	Lawyer
Joseph Peter Grace..... New York, New York	Director.....	President and Chief Executive Officer, W. R. Grace & Co., (international industrial company)
James Frederick Grandy..... Ottawa, Ontario	Director.....	President, Reisman and Grandy Limited (management consultants)
Lewis Bradley Harder..... Katonah, New York	Director.....	Chairman of the Board, International Mining Corporation (mining, refining, and metal fabrication company)
Norman Edgar Hardy..... London, Ontario	Director.....	Chairman of the Board, John Labatt Limited (food and beverage company)
Patrick John Keenan..... Toronto, Ontario	Director.....	President and Chief Executive, Patino, N.V. (mining company)
Frederic York McCutcheon..... Toronto, Ontario	Director.....	President, Arachnae Management Ltd. (management consulting company)
Harold Phillip Milavsky..... Calgary, Alberta	Director.....	President and Chief Executive Officer, Trizec Corporation Ltd. (real estate company)
Jaime Ortiz-Patino..... Geneva, Switzerland	Director and..... Vice-Chairman of the Board	Chairman of the Board, Patino, N.V. (mining company)
Sam Pollock..... Montréal, Québec	Director.....	Vice-President, Carena-Bancorp Holdings Inc. (investment holding company)
Max Tanenbaum..... Toronto, Ontario	Director.....	Chairman of the Board, York Steel Construction Limited (fabricators of industrial steel)
Peter Nigel Tinling Widdrington..... London, Ontario	Director.....	President and Chief Executive Officer, John Labatt Limited (food and beverage company)
William Roy Miller..... Scarborough, Ontario	Senior Vice-President..... and Chief Financial Officer	Senior Vice-President and Chief Financial Officer of Brascan

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Robert Alfred Dunford..... Thornhill, Ontario	Senior Vice-President and... Chief Legal Officer	Senior Vice-President and Chief Legal Officer of Brascan
Robert Franklin Lewarne..... Toronto, Ontario	Vice-President.....	Vice-President of Brascan
Duncan Alastair McAlpine..... Toronto, Ontario	Vice-President..... Corporate Affairs	Vice-President, Corporate Affairs of Brascan
Ross Roderick Sutherland..... Toronto, Ontario	Vice-President.....	Vice-President of Brascan
Lowell Archibald Allen..... Toronto, Ontario	Vice-President and..... Secretary	Vice-President and Secretary of Brascan
Robert Peter Simon..... Mississauga, Ontario	Vice-President and..... Treasurer	Vice-President and Treasurer of Brascan
Edward Charles Kress..... Toronto, Ontario	Vice-President and..... Comptroller	Vice-President and Comptroller of Brascan

During the past five years, all of the directors and officers of Brascan have held their present business affiliations as noted opposite their respective names except for: Jack L. Cockwell whose principal occupation prior to June, 1979 was as Executive Vice-President of Edper Investments Ltd., an investment holding company; J. Trevor Eyton, Q.C. whose principal occupation prior to September, 1979 was as a partner in the law firm of Tory, Tory, DesLauriers & Binnington; Robert P. Simon who, prior to July, 1976 was Director of Taxation, The Molson Companies Ltd.; Harold P. Milavsky who, prior to August, 1976, was Executive Vice-President of Trizec Western Limited; Frederic Y. McCutcheon who, prior to June, 1976, was Vice-President and Secretary of Loewen, Ondaatje, McCutcheon and Company Limited; Robert A. Dunford who, prior to June, 1977, was Vice-President of Eaton Bay Financial Services Ltd.; and Duncan A. McAlpine who, prior to January, 1977, was a General Officer in the Canadian Armed Forces.

The first positions held during the past five years by directors and officers of Brascan who have held more than one position with Brascan or its subsidiaries were as follows: A. William Farmilo was the President of Brascan Resources Limited; Edward C. Freeman-Attwood was the Executive Vice-President of Brascan; Antonio Gallotti was President of Brascan Administração e Investimentos Ltda.; William R. Miller was Vice-President, Finance of Brascan; Robert A. Dunford was Chief Legal Officer of Brascan; Ross R. Sutherland was Assistant Vice-President, Finance of Brascan; Robert P. Simon was Director, Taxation, of Brascan; and Edward C. Kress was Group Controller, Brazil, of Brascan.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table sets forth the remuneration paid by Brascan and its wholly-owned subsidiaries to its directors and officers for the fiscal year ended December 31, 1980:

	<u>Nature of Remuneration</u>		
	<u>From office, employment and employer contributions (aggregate)</u>	<u>Cost of pension benefits</u>	<u>Other</u>
Directors (total number 20).....	\$ 189,325	\$25,128	Nil
Five senior officers.....	\$ 669,389	Nil	Nil
Officers receiving aggregate remuneration in excess of \$50,000 including five senior officers referred to above (total number 14).....	\$1,133,113	Nil	\$17,537(1)

(1) Consisting of accommodation and living allowance.

The estimated actuarial cost at December 31, 1980 of amounts payable in future by Brascan and its subsidiaries to one director and one officer in respect of their retirement, in addition to their normal pension benefits, is \$207,980.

In 1979, the Company entered into a contract with a firm owned by Dr. A. Gallotti, a director of Brascan, for the provision of legal and consulting services to Brascan and its subsidiaries in Brazil. Pursuant to such contract, the cruzeiro equivalent of \$254,281 was paid in 1980. Future payments under the contract are estimated at the cruzeiro equivalent of \$560,000 over the ten-year term of the contract.

INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

As of the date of this prospectus, the following officers of Brascan are indebted to the Company on account of housing loans bearing interest at the rate of 4% per annum: R. A. Dunford, \$10,094, E. C. Freeman-Attwood, \$86,914, D. A. McAlpine, \$40,245 and R. P. Simon, \$24,368. The largest amounts outstanding under these loans since January 1, 1980 were \$10,852, \$86,914, \$43,486 and \$26,300, respectively.

Brascan has made loans in the amounts shown to the following officers in connection with the purchase of Class A Ordinary Shares pursuant to the existing Executive Share Purchase Plan of Brascan, which loans bear interest at a rate equal to the amount of cash dividends paid by Brascan on the shares purchased under the plan while such loans are in effect: J. T. Eyton, \$2,203,200; J. L. Cockwell, \$1,296,000; E. C. Freeman-Attwood, \$518,400; A. W. Farmilo, \$518,400; W. R. Miller, \$518,400; R. A. Dunford, \$570,300; R. F. Lewarne, \$129,600; D. A. McAlpine, \$129,600; E. C. Kress, \$155,520; R. P. Simon, \$279,960; L. A. Allen, \$103,680; and R. R. Sutherland, \$51,840. The foregoing amounts are both the present outstanding balances and the largest outstanding amounts under these loans since January 1, 1980.

As of the date of this prospectus, the following officers of Brascan are indebted to Brascan in the amounts shown on account of loans bearing interest at the rate of 8% per annum made in accordance with a previous share purchase plan of Brascan: R. F. Lewarne, \$67,151 and R. R. Sutherland, \$7,614. The largest amounts outstanding under these loans since January 1, 1980 were \$83,014 and \$11,210, respectively.

SHARE PURCHASE PLANS

As noted above under the heading "Indebtedness of Directors and Senior Officers", Brascan has in effect Employee and Executive Share Purchase Plans. Under the terms of the plans, an eligible participant may apply to Brascan for a loan to assist in the purchase of Class A Ordinary Shares thereunder. Loans are granted, up to prescribed limits, to employees who apply and are granted to executives in the discretion of the directors. Shares are purchased under the plan by a trustee on behalf of each participant at a price equal to or greater than 90% of the weighted average market price on The Toronto Stock Exchange of the shares on the trading day immediately preceding the date of allotment of the shares. Any shares so purchased are held by the trustee until fully paid for by the participant. With respect to the Executive Share Purchase Plan, loans made to participants bear interest at a rate equal to the amount, if any, of cash dividends received by the participant from time to time on any shares so purchased, and are repayable on demand or five years after the date of the loan, whichever is earlier. In the case of the Employee Share Purchase Plan, the loans are non-interest bearing and are repayable on demand or two years after the date of the loan whichever is earlier. Provision is made for the repayment of any loans upon the occurrence of certain events including the resignation, death, termination or retirement of a participant. There are 750,000 Class A Ordinary Shares of Brascan reserved for issuance under the plans and to date 459,300 shares have been issued.

PRINCIPAL HOLDERS OF SHARES

As at February 28, 1981, Edper Equities Limited ("Edper"), Suite 3601, Royal Bank Plaza, Toronto, Ontario, owned of record and beneficially 12,509,400 Class A Ordinary Shares (approximately 49% of the voting shares) of Brascan. Brascan is advised that Edper acquired its interest in Brascan in the period from December, 1978 to June, 1979 through purchases in the market, the exercise of options and a stock exchange take-over bid. Brascan is further advised that the common shares of Edper are owned as to 66% by Edper Resources Limited

and as to 34% by Patino Canada Inc. Edper Resources Limited is a wholly-owned subsidiary of Edper Investments Ltd., a private investment corporation, substantially all of the outstanding equity shares of which are beneficially owned, directly or indirectly, by Messrs. E. M. Bronfman, P. F. Bronfman and their families. Patino Canada Inc. is a wholly-owned subsidiary of Patino N.V., a Netherlands public company listed on the Toronto and Montreal Stock Exchanges. As of February 28, 1981 Max Tanenbaum, 75 Ingram Drive, Toronto, Ontario, owned of record 537,077 Class B Ordinary Shares which represented approximately 72% of the Class B Ordinary Shares (approximately 2% of the voting shares) of Brascan. To the best of the knowledge of Brascan, no other person or company owns of record or beneficially, directly or indirectly, more than 10% of any class of its voting securities.

As at February 28, 1981 the directors and senior officers of Brascan, as a group, beneficially owned, directly or indirectly, an aggregate of 269,308 Class A Ordinary Shares (approximately 1% of the voting shares) of Brascan and 2,500 common shares of Western Mines Limited.

MATERIAL CONTRACTS

Neither Brascan nor any of its subsidiaries have entered into any material contracts, other than in the ordinary course of business, within the past two years except as follows:

1. an agreement dated October 5, 1979 and made between Brascan and Labrador Mining and Exploration Company Limited pursuant to which Brascan purchased 7,850,490 common shares of Noranda Mines Limited from Labrador Mining and Exploration Company Limited in consideration of a promissory note in the sum of \$168,785,530;
2. an agreement dated May 9, 1980 and made between Western Mines Limited and Great Lakes Power Corporation Limited pursuant to which Western Mines Limited purchased from Great Lakes Power Corporation Limited on June 5, 1980 all of the outstanding shares of Brascan Resources Limited in consideration of the issue to Great Lakes Power Corporation Limited of one million Class A Redeemable Preferred Shares (par value \$100 each) and 14,135,859 common shares of Western Mines Limited;
3. an agreement dated May 30, 1980 and made between Brascan and a Canadian chartered bank pursuant to which Brascan exchanged on June 12, 1980 all of the shares of Empresa Tecnica de Organizaç o e Participaç es S.A., a Brazilian holding company of Brascan, for 1,400,000 common shares of a Canadian chartered bank and 539,976 preference shares of a par value of \$100 per share of First Canadian Investments Limited, a subsidiary of the Canadian chartered bank;
4. agreements dated September 30, 1980 and October 24, 1980 and made between Brascan and Patino N.V. pursuant to which Brascan purchased through a subsidiary from Patino N.V. and a subsidiary thereof on, October 31, 1980, approximately 96% of the outstanding common shares of Companhia Estan fera do Brasil, a Brazilian tin mining and smelting company, for the sum of U.S. \$32,500,000;
5. agreements dated December 30, 1980 and February 27, 1981 and made between Great Lakes Power Investments Limited and six purchasers pursuant to which Great Lakes Power Investments Limited issued and sold an aggregate of 240,000 voting preferred shares on December 30, 1980 and February 27, 1981 carrying, as a class, 51% of the voting rights;
6. a guarantee agreement dated January 29, 1981 and made among Brascan and four banks pursuant to which Brascan has guaranteed, until certain stated events occur, the repayment by Great Lakes Power Limited of \$80,000,000;
7. a guarantee agreement dated February 27, 1981 and made between Brascan and a Canadian chartered bank pursuant to which Brascan has guaranteed, until certain stated events occur, the repayment by Great Lakes Power Investments Limited of \$72,000,000;
8. an agreement, dated as of March 21, 1981 made between Brascan and Scott Paper and described in "Consumer Products – Scott Paper Company"; and
9. the Underwriting Agreement referred to under "Plan of Distribution".

Copies of the foregoing agreements may be inspected at the registered office of Brascan during normal business hours while the 1981 Series A Preferred Shares offered hereby are in the course of distribution to the public and for a period of 30 days thereafter.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Brascan is not aware of any material interest, direct or indirect, of any director, senior officer or person or company who owns more than 10% of the voting shares of Brascan, or any associates and affiliates of any such person, in any transaction since January 1, 1978 or in any proposed transaction which has or will materially affect Brascan or any of its subsidiaries except that, with respect to Item 4 under "Material Contracts", J. Ortiz-Patino, Frederic Y. McCutcheon and William G. Brissenden, all directors of Brascan, own, directly or indirectly, approximately 31%, 5% and 2%, respectively, and Patrick J. Keenan, also a director of Brascan, and his associates own, directly or indirectly, approximately 16%, of the shares of Patino Mining, N.V. which in turn is the owner of approximately 94% of the shares of Patino N.V.

PENDING LEGAL MATTERS

There are no legal proceedings (including legal proceedings known to be contemplated) material to the Company to which it is a party, except that subsequent to the sale of Light, two legal proceedings were initiated in 1979 in Brazil seeking to reverse the sale of Brascan's holding in Light to Eletrobras. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined and, upon judgment, the action was found to be without cause. The plaintiff has, however, appealed this judgment. Brascan and Eletrobras have filed their arguments supporting the basis of the initial judgment. The case will now be heard by the Federal Appeal Court. In the opinion of Brascan's Brazilian counsel the grounds on which the proceedings are based are without merit.

In view of the nature of its operations, Brascan has made application for an exemption from the registration requirements of the Investment Companies Act (Canada). If the exemption is not received, Brascan will comply with the requirements of the Act. Such compliance will not, in the opinion of Brascan, have any material adverse effect on Brascan or its shareholders.

LEGAL OPINIONS

The matters referred to under "Eligibility for Investment" and "Income Tax Considerations" and other legal matters relating to the 1981 Series A Preferred Shares will be passed upon at the date of closing of this offering for Brascan by Tory, Tory, DesLauriers & Binnington and for the Underwriters by Campbell, Godfrey & Lewtas. The legal opinion referred to under "Pending Legal Matters" has been given by A. Gallotti-Advogados. As at April 16, 1981, partners and associates of Tory, Tory, DesLauriers & Binnington (excluding J. T. Eyton, Q.C.) owned beneficially, directly or indirectly, 500 1976 Series A Preferred Shares and 92 Ordinary Shares of Brascan, 600 common shares of Noranda Mines Limited, 200 common shares of Consumers Glass Company Limited and 1,000 Series A \$1.875 Cumulative Redeemable Convertible Preferred Shares of Royal Trustco Limited; partners and associates of Campbell, Godfrey & Lewtas owned beneficially, directly or indirectly, 100 Ordinary Shares of Brascan; and A. Gallotti owned beneficially, directly or indirectly, 39 Ordinary Shares of Brascan. J. T. Eyton, Q.C., a director and the President and Chief Executive Officer of Brascan is a partner of Tory, Tory, DesLauriers & Binnington and A. Gallotti is a director of Brascan.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Brascan are Clarkson Gordon, P.O. Box 251, The Toronto-Dominion Centre, Toronto, Ontario, Canada M5K 1J7. The board of directors of Brascan have recommended a change in the auditors to Touche Ross & Co., P.O. Box 12, First Canadian Place, Toronto, Ontario. The change will be considered by the shareholders at Brascan's annual meeting on May 12, 1981. Touche Ross & Co. are the auditors of the largest shareholder of Brascan and of corporations associated with that shareholder. Taking this into account, management considered it appropriate and in the best interests of Brascan to recommend to the shareholders that they make this appointment.

The transfer agent for the Preference Shares, the 1976 Preferred Shares, the Class A Ordinary Shares, the Class B Ordinary Shares and the Class C Ordinary Shares and the registrar for the Preference Shares, the 1976 Preferred Shares and the Class C Ordinary Shares is National Trust Company, Limited at its principal offices or those of its agent in the cities of Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax.

The registrar for the Class A Ordinary Shares and the Class B Ordinary Shares is a Canadian chartered bank in each of the cities of Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax.

In addition, Citibank, N.A. at its principal office in the City of New York is a co-transfer agent and registrar for the Class A Ordinary Shares.

The transfer agent and registrar for the 1981 Series A Preferred Shares will be National Trust Company, Limited at its principal offices in the cities of Toronto, Montreal, Vancouver, Calgary and Winnipeg, and at the office of its agent, Canada Permanent Trust Company, in the city of Halifax.

SUBSIDIARIES AND ASSOCIATED COMPANIES OF BRASCAN

The following is a list of subsidiary and associated companies of Brascan (as of December 31, 1980), excluding certain inactive companies and certain Brazilian companies the sole purpose of which is to hold mineral exploration licences.

<u>Name</u>	<u>Nature of business</u>	<u>Jurisdiction of incorporation</u>	<u>Percentage of voting securities owned, directly and indirectly, by Brascan</u>	
<i>Canada</i>				
Brascan (80194 Canada) Limited	Investment holding	Canada	100	(1)
Brascan International Capital Corporation	Finance	Ontario	100	(1)
Canadian Venture Capital Corporation	Venture capital	Canada	10	(2)
Consumers Glass Company Limited	Container manufacturer	Canada	16	(3)
Discovery Terminals Limited	Inactive	British Columbia	84	(4)
Great Lakes Power Corporation Limited	Investment holding	Ontario	100	(5)
Great Lakes Power Investments Limited	Investment holding	Ontario	49	(7)
Great Lakes Power Limited	Utility	Ontario	49	(6)
Jonlab Investments Limited	Investment holding	Ontario	99	(1)
John Labatt Limited	Food and beverage	Canada	40	(7)
Lacana Mining Corporation	Mining	Ontario	19	(4)
London Life Insurance Company	Insurance	Ontario	39	(8)
Lonvest Corporation	Investment holding	Ontario	37	(1)
Magnorth Petroleum Limited	Exploration	Canada	10	(4)
Myra Falls Management Limited	Inactive	British Columbia	84	(4)
Noranda Mines Limited	Mining	Ontario	12	(9)
Triarch Corporation Limited	Financial services	Canada	51	(10)
Triarch Debt Capital Limited	Finance	Ontario	51	(2)
Trior Investments Limited	Inactive	Ontario	100	(1)
Western Mines Limited	Mining	British Columbia	84	(7)
100692 Canada Limited	Investment holding	Canada	100	(1)
401868 Ontario Limited	Investment holding	Ontario	100	(1)
89794 Canada Corporation	Investment holding	Canada	100	(1)
<i>United States</i>				
Brascan Explorations Inc.	Petroleum	Delaware	84	(4)
Brascan Resources Inc.	Petroleum	Delaware	84	(4)
Brascan U.S.A. Inc.	Investment holding	Delaware	100	(1)
Western Mines Inc.	Mining	Nevada	84	(4)
Western Mines Holdings Limited	Inactive	Nevada	84	(4)
Western Coal Holdings Inc.	Mining	Nevada	84	(4)
<i>The Netherlands</i>				
Brascan International B.V.	Investment holding	The Netherlands	100	(1)
<i>Switzerland</i>				
Brascan International S.A.	Inactive	Switzerland	100	(11)

<u>Name</u>	<u>Nature of business</u>	<u>Jurisdiction of incorporation</u>	<u>Percentage of voting securities owned, directly and indirectly, by Brascan</u>	
<i>Brazil</i>				
Brascan Administração e Investimentos Ltda.	Investment holding	Brazil	100	(1)
Brascan Participações Ltda.	Investment holding	Brazil	100	(1)
Brascan Imobiliária S.A.	Real estate	Brazil	100	(12)
Brazilian Selected Securities S.A. – Sociedade de Investimentos	Investment holding	Brazil	100	(1)
Companhia Estanífera do Brasil	Mining	Brazil	96	(11)
Companhia de Mineração Jacundá S.A.	Mining	Brazil	93	(12)
Companhia de Mineração Santana	Mining	Brazil	100	(13)
Dragagem Fluvial S.A.	Mining	Brazil	48	(14)
Embrasca-Empreendimentos Florestais Agrícolas Ltda.	Forest products	Brazil	49	(13)
FNV-Fábrica Nacional de Vagões S.A.	Equipment manufacturers	Brazil	29	(12)
Gávea Hotelaria e Turismo S.A.	Hotel	Brazil	60	(13)
Mineração Brasiliense S.A.	Mining	Brazil	96	(14)
Promisa-Mineração e Prospeccões Minerais S.A.	Mining	Brazil	100	(12)
SASA-Administração e Participações S.A.	Food	Brazil	45	(13)

NOTES:

- (1) Held directly by Brascan Limited.
- (2) Held directly by Triarch Corporation Limited.
- (3) Held directly by Brascan Limited (10%) and Great Lakes Power Corporation Limited (6%).
- (4) Held directly by Western Mines Limited.
- (5) Held directly by 100692 Canada Limited.
- (6) Held directly by Great Lakes Power Investments Limited.
- (7) Held directly by Great Lakes Power Corporation Limited.
- (8) 6% held directly by Brascan Limited and 9% by Great Lakes Power Corporation Limited. 24% held through Lonvest Corporation as described under "London Life Insurance Company".
- (9) Held directly by 401868 Ontario Limited.
- (10) Held directly by Jonlab Investments Limited.
- (11) Held directly by Brascan International B.V.
- (12) Held directly by Brascan Participações Ltda.
- (13) Held directly by Brascan Administração e Investimentos Ltda.
- (14) Held directly by Companhia Estanífera do Brasil.

AUDITORS' REPORT

To the Directors of
Brascan Limited:

We have examined the consolidated balance sheets of Brascan Limited as at December 31, 1980 and December 31, 1979 and the statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the two years ended December 31, 1980, as expressed in Canadian dollars. We have also examined the statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the four years ended December 31, 1979, as expressed in United States dollars. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned consolidated financial statements expressed in Canadian dollars present fairly the financial position of the company as at December 31, 1980 and December 31, 1979 and the results of its operations and the changes in its financial position for the two years ended December 31, 1980 in accordance with generally accepted accounting principles applied, except for the change in reporting currency described in note 2, on a basis consistent with that of the preceding years restated as explained in note 14. In our opinion also, the above-mentioned consolidated financial statements expressed in United States currency present fairly the results of operations and the changes in financial position of the company for the four years ended December 31, 1979 in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario
February 23, 1981

(Signed) Clarkson Gordon
Chartered Accountants

BRASCAN LIMITED
(Incorporated under the laws of Canada)

Consolidated Balance Sheet

December 31
(millions of dollars)

ASSETS

	Can. \$	
	1980	1979
Current:		(note 14)
Cash and short-term investments.....	\$ 214.3	\$ 413.0
Marketable securities, at cost (note 5).....	194.6	5.1
Accounts receivable (note 5).....	98.2	59.1
Mineral and other inventories.....	8.9	11.3
	<u>516.0</u>	<u>488.5</u>
Investments:		
Corporate investments (note 5).....	578.8	444.4
Debentures, loans and notes (note 4).....	127.4	132.5
Brascan Brazil (note 6).....	61.1	95.8
	<u>767.3</u>	<u>672.7</u>
Property, plant and equipment – net (note 7).....	171.8	129.9
	<u>\$1,455.1</u>	<u>\$1,291.1</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current:		
Bank indebtedness.....	\$ 62.7	\$ 17.8
Accounts payable and accrued charges.....	32.6	34.4
Dividends and interest due and accrued.....	18.6	20.7
Current portion of long-term debt (note 8).....	8.5	9.1
Income and other taxes payable.....	4.9	9.9
	<u>127.3</u>	<u>91.9</u>
Other:		
Long-term debt (note 8).....	320.3	307.5
Minority interest.....	48.3	22.4
Deferred income taxes.....	49.8	13.6
	<u>418.4</u>	<u>343.5</u>
Shareholders' equity (note 10).....	909.4	855.7
	<u>\$1,455.1</u>	<u>\$1,291.1</u>

On behalf of the Board:

(Signed) A. W. Farmilo, Director

(Signed) J. L. Cockwell, Director

(See accompanying notes)

BRASCAN LIMITED

Statement of Consolidated Income

Years ended December 31

(millions of dollars)

	Can. \$		U.S. \$			
	1980	1979	1979	1978	1977	1976
			(note 14)			
Income by segment before unallocated expenses:						
Natural resources	\$ 71.0	\$ 50.4	\$ 42.6	\$ 25.1	\$ 14.1	\$ 9.4
Consumer products	12.0	6.6	5.4	4.5	7.5	5.8
Financial services	7.9	2.6	2.2	2.5	.8	(1.1)
Dividends from Brascan Brazil (note 6)	—	—	—	1.5	1.1	1.0
Investment income	61.0	61.3	52.8	12.4	13.7	16.9
	<u>151.9</u>	<u>120.9</u>	<u>103.0</u>	<u>46.0</u>	<u>37.1</u>	<u>33.1</u>
Unallocated expenses:						
Interest on debt	41.3	20.3	16.6	13.0	13.0	12.7
Foreign exchange (gains) losses	(1.4)	8.9	3.4	9.9	1.9	6.3
General corporate expenses (note 15)	5.7	16.2	13.8	6.5	1.5	1.4
Income and mining taxes —						
Current	4.9	16.9	15.0	(3.1)	(3.2)	(2.0)
Deferred	19.0	15.9	13.9	8.5	4.3	1.8
Minority interest	5.1	6.3	5.3	1.2	.6	2.4
	<u>74.6</u>	<u>84.5</u>	<u>68.0</u>	<u>36.0</u>	<u>29.1</u>	<u>27.6</u>
Income from continuing operations	<u>77.3</u>	<u>36.4</u>	<u>35.0</u>	<u>10.0</u>	<u>8.0</u>	<u>5.5</u>
Discontinued operations and other:						
Equity in income of Light (note 9)	—	—	—	112.7	133.1	69.3
Brascan Brazil (note 6)	—	—	—	(37.6)	(25.9)	(31.4)
Other (note 9)	—	—	—	(2.6)	(1.2)	(1.8)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>72.5</u>	<u>103.0</u>	<u>50.1</u>
Income before extraordinary items	<u>77.3</u>	<u>36.4</u>	<u>35.0</u>	<u>82.5</u>	<u>111.0</u>	<u>55.6</u>
Extraordinary items:						
Recovery of income taxes (note 12)	8.7	17.2	14.8	—	.9	—
Gain (loss) on disposal of investments (note 9)	—	—	—	(453.6)	3.6	2.5
	<u>8.7</u>	<u>17.2</u>	<u>14.8</u>	<u>(453.6)</u>	<u>4.5</u>	<u>2.5</u>
Net income (loss) for year	<u>\$ 86.0</u>	<u>\$ 53.6</u>	<u>\$ 49.8</u>	<u>\$(371.1)</u>	<u>\$ 115.5</u>	<u>\$ 58.1</u>
Ordinary shares outstanding (average in millions)	<u>26.2</u>	<u>26.1</u>	<u>26.1</u>	<u>26.1</u>	<u>26.0</u>	<u>26.0</u>
Earnings per share (after preferred dividends):						
Income from continuing operations	\$ 2.84	\$ 1.28	\$ 1.24	\$ 0.32	\$ 0.20	\$ 0.19
Discontinued operations and other	—	—	—	2.77	3.97	1.93
Income before extraordinary items	2.84	1.28	1.24	3.09	4.17	2.07
Extraordinary items	.33	.66	.57	(17.41)	.17	.09
Net income (loss) for year	<u>\$ 3.17</u>	<u>\$ 1.94</u>	<u>\$ 1.81</u>	<u>\$(14.32)</u>	<u>\$ 4.34</u>	<u>\$ 2.16</u>

(See accompanying notes)

BRASCAN LIMITED

Statement of Changes in Consolidated Financial Position

Years ended December 31

(millions of dollars)

	Can. \$		U.S. \$			
	1980	1979	1979	1978	1977	1976
			(note 14)			
Funds provided:						
Operations before extraordinary items.....	\$ 86.8	\$ 64.0	\$ 60.2	\$ 29.7	\$ 14.5	\$ 3.4
Extraordinary items – income tax recoveries	8.7	17.2	14.8	—	.9	—
Proceeds on sale of Light	—	—	—	377.7	—	—
Light dividends remitted.....	—	—	—	27.0	23.7	23.4
Reduction in investment in –						
Brascan Brazil – net (note 6).....	50.5	—	—	—	—	—
Great Lakes Power Corporation Limited –						
Utilities Division (note 5)	42.2	—	—	—	—	—
Long-term borrowings	22.0	168.8	143.6	—	—	30.0
Reduction in debentures, loans and notes	13.5	13.5	11.6	23.1	42.7	12.2
Proceeds on sale of investments.....	—	—	—	—	9.3	18.1
Net funds arising on acquisition of subsidiaries.....	—	—	—	—	—	7.0
Preferred shares issued.....	—	—	—	—	—	34.9
	<u>223.7</u>	<u>263.5</u>	<u>230.2</u>	<u>457.5</u>	<u>91.1</u>	<u>129.0</u>
Funds used:						
Expenditures on property, plant and equipment.....	50.3	48.6	41.5	14.1	10.2	10.5
Dividends.....	39.7	36.7	31.4	31.2	30.8	27.7
Corporate investments.....	134.6	297.4	253.0	2.0	13.5	.3
Reduction in long-term debt	6.0	17.7	14.1	6.9	5.0	13.7
Redemption of subsidiary's preferred shares.....	—	—	—	—	29.3	—
Investment in debentures, loans and notes.....	—	—	—	—	—	31.9
Miscellaneous.....	1.0	7.5	5.1	7.9	.3	.1
	<u>231.6</u>	<u>407.9</u>	<u>345.1</u>	<u>62.1</u>	<u>89.1</u>	<u>84.2</u>
Increase (decrease) in net current assets.....	(7.9)	(144.4)	(114.9)	395.4	2.0	44.8
Net current assets, beginning of year	396.6	541.0	458.3	62.9	60.9	16.1
Net current assets, end of year	<u>\$388.7</u>	<u>\$396.6</u>	<u>\$343.4</u>	<u>\$458.3</u>	<u>\$ 62.9</u>	<u>\$ 60.9</u>

Statement of Consolidated Retained Earnings

Years ended December 31

(millions of dollars)

	Can. \$		U.S. \$			
	1980	1979	1979	1978	1977	1976
Balance, beginning of year.....	\$644.9	\$628.0	\$539.4	\$941.7	\$857.0	\$827.9
Net income (loss) for year.....	86.0	53.6	49.8	(371.1)	115.5	58.1
	<u>730.9</u>	<u>681.6</u>	<u>589.2</u>	<u>570.6</u>	<u>972.5</u>	<u>886.0</u>
Dividends declared (note 11):						
Preferred.....	3.0	3.0	2.6	2.6	2.8	1.7
Ordinary.....	36.7	33.7	28.8	28.6	28.0	26.0
Share issue expenses.....	—	—	—	—	—	1.3
	<u>39.7</u>	<u>36.7</u>	<u>31.4</u>	<u>31.2</u>	<u>30.8</u>	<u>29.0</u>
Balance end of year.....	<u>\$691.2</u>	<u>\$644.9</u>	<u>\$557.8</u>	<u>\$539.4</u>	<u>\$941.7</u>	<u>\$857.0</u>

(See accompanying notes)

BRASCAN LIMITED

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. These principles have been applied consistently, except for the change in reporting currency referred to in note 2, and conform in all material respects with International Accounting Standards relating to the presentation of historic cost financial information. Reasonable limits of materiality have been applied within the framework of the accounting policies summarized below.

Currency of Reporting

As explained in note 2, in 1980 the Company adopted the Canadian dollar as the reporting currency in its financial statements. In prior years the financial statements were presented in United States dollars. The accompanying consolidated balance sheets as at December 31, 1980 and December 31, 1979, together with the statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the years ended December 31, 1980 and December 31, 1979, are presented in Canadian dollars. In addition, statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the four years ended December 31, 1979 are presented in United States dollars.

Accounting for Investments

Consolidated Subsidiaries –

The consolidated financial statements include the accounts of the Company and all companies outside Brazil over which it has voting control. The principal operating subsidiaries consolidated are:

	Per Cent Owned	
	1980	1979
Brascan Resources Limited (note 3).....	—	99%
Western Mines Limited (note 3).....	84%	51
Triarch Corporation Limited.....	51	63

The costs of acquiring each subsidiary are allocated to its identifiable net assets on the basis of the lower of cost and estimated fair values at the date of acquisition.

Non-consolidated Subsidiaries –

The investment in Brascan Brazil in the accompanying consolidated balance sheets represents the investments in those companies a substantial portion of whose capital is registerable under Brazilian foreign investment legislation.

The investment in subsidiaries whose capital is not registered under Brazilian foreign investment legislation, together with income therefrom, is not reflected in the accompanying financial statements and will be recorded in the accounts only when converted into dollars.

For further details of the accounting for the investment in Brascan Brazil, see note 6.

Corporate Investments –

Investments in which significant influence exists and investments in corporate joint ventures are carried on the equity method.

The principal investments accounted for by this method are:

	Per Cent Owned	
	1980	1979
John Labatt Limited.....	42%(38%)*	24%(21%)*
London Life Insurance Company.....	39	29
Great Lakes Power Corporation Limited – Utilities Division (note 5).....	—	99
Great Lakes Power Investments Limited (note 5).....	49	—
Lacana Mining Corporation.....	23(19)*	—

*On a fully diluted basis

The 14% (1979 – 14%) interest in Noranda Mines Limited is carried at cost. Other investments are carried at cost less amounts written off.

Currency Translation

Assets, liabilities, revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars substantially as follows:

- Monetary assets and monetary liabilities at the rates of exchange prevailing at the balance sheet date;
- Other assets (including inventories) and liabilities at rates prevailing when they were acquired or incurred;
- Revenues and expenses at average rates for the period except for depreciation, depletion, and amortization provisions, which are at the rates used for translation of the related assets.

These procedures, which have also been applied in the United States dollar information for the years 1976 to 1979, give rise to exchange translation gains and losses, the net amounts of which are included in income.

Income and Mining Taxes

These taxes are accounted for on the tax allocation basis.

Natural Resources

Petroleum –

The full cost method of accounting is used whereby all costs associated with exploration for and development of oil and gas are capitalized in cost centres (see note 7) and charged against income as depletion based on production, or written off to income if exploration activities prove unsuccessful and the cost centre is abandoned. The cost of petroleum plant and equipment is depreciated based on production.

Mining and mineral exploration –

Mineral exploration costs pertaining to individual mineral prospects (excluding hydro-carbons) are charged to income as incurred until an economic orebody is defined. Until commercial production begins, coal properties are carried at cost, less any amounts written off in recognition of a permanent decline in value.

The costs of mine plant and equipment, together with mineral exploration costs capitalized, are amortized based on production. Mineral concentrate inventories are carried at estimated realizable value.

Electric utility operations of Great Lakes Power Investments Limited –

Income is recorded on the equity method and is based on the following policies.

Revenue is recognized when billed and earned. Electric rates are established annually based on forecasts of costs, sales volume and return on the rate base (principally net depreciated plant plus an allowance for working capital). These estimates are filed with the regulatory authority, as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority.

Depreciation is provided on the cost of depreciable electric utility plant at an annual rate of 2½% on a straight-line basis. Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation. An allowance for funds used in construction is charged to construction work in progress and credited to income at the rate of return applicable to the rate base.

Financial Services

Life insurance operations –

The accounting policies of London Life Insurance Company are as prescribed or permitted by the Department of Insurance of Canada. The main differences from principles applicable to commercial and industrial organizations are as follows:

- income or loss from disposals of bonds and debentures is treated as an adjustment to the portfolio yield and amortized over the lesser of the remaining term of the security and 20 years.
- realized and unrealized gains and losses on stocks are deferred and amortized to income on the basis of a legislated formula.

Income is recorded on the equity method and is based on earnings as reported by London Life Insurance Company.

2. Change in Reporting Currency

In 1980 the Company adopted the Canadian dollar as the reporting currency in its financial statements. In prior years financial statements were presented in United States dollars. This change in accounting has been applied retroactively to the consolidated financial statements for 1979. It is not practicable to restate in Canadian dollars results of operations and changes in financial position for 1978 and prior years. Accordingly, statements of consolidated income, consolidated retained earnings and changes in consolidated financial position for the three years ended December 31, 1978 have been presented in United States currency. For comparative purposes, similar information has been presented in United States dollars for the year ended December 31, 1979.

3. Investment in Western Mines Limited

In 1975 and 1976, the Company acquired a 50.4% interest in Western Mines Limited for a total consideration of U.S. \$11.0 million. The Company has consolidated the accounts of Western Mines Limited from January 1, 1976.

On June 4, 1980, the minority shareholders of Western Mines Limited approved the acquisition of all of the shares of Brascan Resources Limited in exchange for preferred shares with a par value of Can. \$100.0 million (see note 5) and common shares of Western Mines Limited. As a result, the Company increased its common share interest in Western Mines Limited from 51% to 84%.

4. Debentures, Loans and Notes

	Can. \$ millions	
	1980	1979
Amounts denominated in United States dollars:		
Light-Serviços de Eletricidade S.A. (Light), 8% debentures and 8¼% loan.....	\$ 74.5	\$ 79.8
Brazilian government – guaranteed notes.....	39.5	43.4
Other.....	26.0	22.1
	<u>140.0</u>	<u>145.3</u>
Less amounts due within one year (included in accounts receivable).....	(12.6)	(12.8)
	<u>\$127.4</u>	<u>\$132.5</u>

The amounts due from Light and the Brazilian government-guaranteed notes are fully registered in respect of principal and interest under the Brazilian foreign exchange control regulations for payment in U.S. dollars. The amounts due from Light are repayable in annual instalments, currently U.S. \$6.0 million. The Brazilian government-guaranteed notes bear interest at 6% per annum and are repayable in instalments of principal and interest of U.S. \$7.4 million per annum. The Company is obligated to reinvest in Brazil U.S. \$24.8 (Can. \$29.6) million of the principal amount to be received on these notes.

5. Investments

The Company's equity investments have been classified on the balance sheet as either marketable securities or corporate investments. Marketable securities represent those investments as to which no long-term holding decision has yet been made.

	Can. \$ millions			
	1980		1979	
	Carrying Value	Quoted Market Value*	Carrying Value	Quoted Market Value*
Marketable Securities				
Consumer products –				
Consumers Glass Company Limited.....	\$ 11.2	\$ 14.6	\$ 5.1	\$ 8.2
The Quaker Oats Company (note 16).....	31.6	35.0	—	—
Scott Paper Company (note 16).....	30.5	30.8	—	—
Other.....	19.7	19.5	—	—
	93.0	99.9	5.1	8.2
Other marketable securities.....	101.6	126.2	—	—
	<u>\$194.6</u>	<u>\$226.1</u>	<u>\$ 5.1</u>	<u>\$ 8.2</u>
Corporate Investments				
Natural resources –				
Noranda Mines Limited.....	\$293.9	\$426.8	\$293.9	\$318.4
Great Lakes Power Investments Limited**.....	47.6	—	—	—
Great Lakes Power Corporation Limited – Utilities Division**.....	—	—	60.1	—
Lacana Mining Corporation**.....	24.0	26.0	—	—
	365.5	—	354.0	—
Consumer products –				
John Labatt Limited**.....	130.6	139.4	68.4	66.7
Financial services –				
London Life Insurance Company**.....	40.3	54.1	20.6	24.9
Other (note 6).....	42.4	—	1.4	—
	<u>\$578.8</u>	<u>\$444.4</u>	<u>\$444.4</u>	<u>\$444.4</u>

*Owing to the size of certain of the holdings, market quotations do not necessarily represent the amounts, net of related income taxes, which might be realized on sale.

**Carried on the equity method.

During 1979, the Company acquired 14.2 million common shares of Noranda Mines Limited for cash of \$125.1 million and a promissory note of \$168.8 million (see note 8).

In 1980 Great Lakes Power Corporation Limited, now a wholly-owned subsidiary of the Company, transferred its electric utility division to Great Lakes Power Limited (Power), in exchange for common shares of Power. These shares were then exchanged for all of the common shares of Great Lakes Power Investments Limited (GLI). In addition, Can. \$25 million of preferred shares of Western Mines Limited (note 3) were exchanged for Can. \$25 million of non-voting preferred shares of GLI. Subsequently, in 1980, GLI issued to third parties preferred shares carrying 51% of the votes at shareholders' meetings. As a result of these transactions, the Company no longer has voting control over GLI and its wholly-owned subsidiary, Power, and accordingly carries its investment therein on the equity method. The voting preferred shares are redeemable at the option of the issuer after January 1, 1984 or earlier in certain circumstances.

GLI and Power have arranged term financing of Can. \$152 million with a limited guarantee by the Company (see note 13). Of this financing, Can. \$54.9 million will be used to repay advances from the Company to Power included in accounts receivable.

In October 1980 Western Mines Limited purchased 2.1 million outstanding and treasury shares (23%) of Lacana Mining Corporation at a cost of Can. \$23.6 million and was granted a right, under certain circumstances, to purchase within three years an additional 1 million treasury shares for Can. \$15.5 million.

Through purchases in the open market in 1979 and 1980, the Company has increased its interest in John Labatt Limited from 24% to 42% at an additional cost of Can. \$58.1 million.

The initial 24% interest in London Life Insurance Company was acquired in 1977 through a holding company, Lonvest Corporation, for a cash consideration of U.S. \$13.1 million. Through purchases in the open market in 1979 and 1980, the Company has increased its interest in London Life Insurance Company to 39% at an additional cost of Can. \$15.1 million.

Included in the carrying values of corporate investments on the equity method is \$61 million (1979 – \$23 million) representing the remaining unamortized excess of acquisition costs over underlying net book value of the investees' assets. This amount relates principally to property, plant and equipment of John Labatt Limited, Great Lakes Power Limited and Lacana Mining Corporation and is being amortized over the estimated useful life of the assets.

6. Investment in Brascan Brazil

The Brazilian operations are held through companies incorporated under the laws of Brazil.

(a) Registered Companies

In view of the sale of Light (see note 9) with the resulting diminution of Brazilian operations as a proportion of overall operations and because of the continuing restrictions on the transfer of funds from Brazil, the Company ceased consolidation of the accounts of subsidiaries in Brazil as of December 31, 1978. The investment in Brascan Brazil in the accompanying consolidated balance sheets represents those subsidiaries a substantial portion of whose capital is registerable under Brazilian foreign investment legislation. These investments are carried at their equity value at December 31, 1978 adjusted for the cost of subsequent investments and disposals.

Equity in the income of these investments has been included in the accompanying financial statements for the three years ended December 31, 1978. Starting in 1979, income from these investments has been recorded only when converted into dollars. Since a loss was incurred in 1979, the net dividends received of Can. \$3.6 million were applied to reduce the carrying value of the investment. No dividends have been received in 1980.

In June 1980 the investment in Banco Brascan, together with Banco Brascan's parent holding company ("TOP"), was exchanged for 1.4 million common shares of a Canadian chartered bank (included in marketable securities) and preferred shares of its subsidiary, First Canadian Investments Limited (included in corporate investments – note 5), at an aggregate price of approximately Can. \$87.0 million. After provision for Canadian taxes, no gain or loss on this sale was recorded.

In July 1980, the Company acquired from John Labatt Limited all the shares of its wholly-owned Brazilian subsidiary holding company, John Labatt do Brasil Participações Ltda., for Can. \$15.7 million. Following its acquisition, the name of the company was changed to Brascan Participações Ltda.

In October 1980, Can. \$35.5 million was realized on the restructuring of the investment in one of the registered companies. This substantially covered the purchase from Patino N.V. of its 96% interest in Companhia Estanífera do Brasil ("CESBRA"), a tin mining and smelting company in Brazil, for Can. \$38.2 million. Patino N.V. has an approximate 17% indirect shareholding in the Company.

Registered capital amounted to approximately Can. \$44.0 million, including approximately Can. \$15.9 million the registration of which is being transferred to the Company following the purchase of CESBRA, at December 31, 1980 (Can. \$70.0 million at December 31, 1979). Annual dividend remittances, net of withholding tax of 25%, are effectively limited to 12% of registered capital.

(b) Non-registered Company

Part of the investment in Brazil is held through a company whose capital is not registered under the Brazilian foreign investment legislation referred to above. As a result of an accounting change adopted retroactively in 1979, the investment in this company, together with income therefrom, is not reflected in the accompanying financial statements and will be recorded only when converted into dollars. Accordingly, non-registered investments in Brascan Brazil, resulting primarily from non-remittable dividends from the Company's former holding of Light (see note 9), have been written off in the year of investment. This accounting practice has reduced previously reported net income and retained earnings as follows:

	U.S. \$ millions	
	Net Income for Year	Retained Earnings, Beginning of Year
1978.....	\$39.4	\$115.8
1977.....	32.8	83.0
1976.....	45.1	37.9

In April 1980 the investment of both the Company and John Labatt Limited in Skol-Caracú was sold for the cruzeiro equivalent of U.S. \$45.0 million. The Company's 67% share of this joint venture was held by its non-registered holding company and the proceeds have been reinvested in Brazil.

(c) Income Statement Presentation

Income from continuing operations includes dividend remittances net of withholding tax from the Company's continuing investments in registered companies, after giving effect to the above transactions.

Included in "Discontinued operations and other" in the statement of consolidated income are the following:

	U.S. \$ millions		
	1978	1977	1976
Dividends, net of withholding taxes, from TOP.....	\$ 2.8	\$ 2.3	\$ 1.9
Write-off of non-registered investments.....	(38.3)	(33.7)	(36.5)
Equity in income (loss) of registered companies, adjusted for dividends remitted.....	(2.1)	5.5	(2.8)
	<u>\$(37.6)</u>	<u>\$(25.9)</u>	<u>\$(37.4)</u>

7. Property, Plant and Equipment – Net

	Can. \$ millions			
	1980			1979
	Cost	Accumulated Depreciation and Depletion	Net	Net
Petroleum:				
Properties by cost centre –				
North America.....	\$143.9	\$ 20.2	\$123.7	\$ 99.3
Arctic.....	8.8	—	8.8	8.7
Foreign.....	1.5	—	1.5	—
	154.2	20.2	134.0	108.0
Plant and equipment.....	19.5	3.3	16.2	9.9
	173.7	23.5	150.2	117.9
Mine.....	26.9	11.9	15.0	5.5
Coal properties and other.....	8.0	1.4	6.6	6.5
	<u>\$208.6</u>	<u>\$ 36.8</u>	<u>\$171.8</u>	<u>\$129.9</u>

8. Long-term Debt

	Can. \$ millions	
	1980	1979
Promissory note*.....	\$168.8	\$168.8
Term bank loan due 1982**.....	22.0	—
8¼% bonds due annually 1981 to 1987 (U.S. \$14.5).....	17.3	18.1
8.3% loan due annually 1982 to 1988 (U.S. \$30.0).....	35.8	35.0
8½% bonds due annually 1981 to 1988, (DM 85.0).....	51.9	60.9
9¾% notes due annually 1981 to 1982 (U.S. \$27.6).....	33.0	33.8
	328.8	316.6
Less amounts due within one year.....	(8.5)	(9.1)
	<u>\$320.3</u>	<u>\$307.5</u>

*The promissory note bears interest (currently 15.5%) based on rates applicable to ninety-day bank deposits. It is due at the holder's option on ninety days' notice between January 1, 1982 and October 15, 1989.

**May be secured at the request of the bank by oil and gas and mining properties.

Maturities (excluding the promissory note) during the next five years are as follows:

	Can. \$ millions
1981.....	\$ 8.5
1982.....	67.6
1983.....	13.9
1984.....	13.9
1985.....	13.9

9. Extraordinary and Other Items

On December 28, 1978 an offer to purchase the shares of the Company's electric utility subsidiary in Brazil, Light, for U.S. \$380.0 million, which was net of U.S. \$56.4 million Brazilian taxes, was received and accepted. For accounting purposes, Light was deemed to have been sold as of December 31, 1978. The proceeds on the sale, which were received in early 1979, had a present value of U.S. \$377.7 million at December 31, 1978. The resulting loss on disposal of U.S. \$453.6 million, after recording the Company's share of income for the year, and after expenses incurred on disposal, was charged to income in 1978 as an extraordinary item.

During 1977, the investment in Austen and Butta Limited, an Australian coal mining company, was sold at a profit of U.S.\$3.6 million which is shown as an extraordinary gain in that year.

During 1976, investments in Hudson's Bay Company and Commerce Capital Corporation were sold at a profit of U.S. \$1.9 million, reflected as an extraordinary item together with the Company's proportionate U.S. \$0.6 million share of an extraordinary gain in the income of John Labatt Limited.

The Company holds a 12½% working interest in the Sukunka coal project in northeastern British Columbia. In 1976, the Company decided not to exercise its option to acquire an additional 47½% interest and U.S. \$9.8 million (which was net of tax of U.S. \$4.4 million) was charged to earnings (in Discontinued operations and other) to reflect the write-down in the carrying value of the project to its estimated realizable value of U.S. \$2.5 million.

10. Shareholders' Equity

Can. \$ millions

	1980	1979
Share capital.....	\$243.4	\$236.0
Retained earnings.....	691.2	644.9
	934.6	880.9
Less shares held by a subsidiary, at cost.....	(25.2)	(25.2)
	<u>\$909.4</u>	<u>\$855.7</u>

Share capital consists of:

Authorized:

593 Six per Cent cumulative voting preference shares convertible into ordinary shares (1979 – 919)

Unlimited Voting preferred shares issuable in series

Unlimited Class A ordinary shares

Unlimited Class B ordinary shares

5,000,000 Class C ordinary shares

Issued and outstanding:

Can. \$ millions

593 Six per Cent preference shares (1979 – 919).....	\$.1	\$.1
1,393,500 8½% tax deferred preferred shares series A (1979 – 1,397,900).....	34.8	35.0
*28,654,342 Ordinary shares (1979 – 28,354,872).....	208.5	200.9
	<u>\$243.4</u>	<u>\$236.0</u>

*Of which 2,293,522 shares (non-voting) are held by a subsidiary.

(a) Preferred shares

The first series of preferred shares consists of 1,393,500 8½% cumulative redeemable Series A preferred shares, issued and outstanding, designated as "8½% tax deferred preferred shares Series A", and the second series consists of 1,400,000 10% cumulative redeemable preferred shares Series B, none of which have been issued. Each Series A share is convertible after April 15, 1988 into one Series B preferred share. Dividends on the Series A shares will continue to be treated as tax-deferred income in the hands of Canadian shareholders until 1988.

The Series A and Series B preferred shares rank equally and are entitled to preference over the ordinary shares on the declaration of dividends and on distribution or winding up.

The preferred shares are subject to a maximum non-cumulative quarterly purchase obligation totalling 4,667 shares per month at prices up to Can. \$25.00. After July 15, 1983, the Company may redeem the 8½% Series A preferred shares at a premium of Can. \$1.00 per share reducing by Can. \$0.25 annually to 1987 and at Can. \$25.00 thereafter.

(b) Ordinary shares

Number of Shares

	1980	1979
Class A convertible.....	25,868,567	25,185,818
Class B convertible.....	779,429	859,519
Class C convertible.....	2,006,346	2,309,535
Issued and outstanding.....	28,654,342	28,354,872
Less Class A convertible shares (non-voting) held by a subsidiary.....	2,293,522	2,293,522
	<u>26,360,820</u>	<u>26,061,350</u>

In May 1980 the Company was continued under the Canada Business Corporations Act and limits upon the authorized number of Class A and Class B convertible ordinary shares and preferred shares were removed.

The Class A, B, and C ordinary shares rank equally in all respects except for the following:

- Class A and Class B shares are fully interconvertible at the option of the holder.
- Until 1978, dividends on Class B shares were paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when received by shareholders. Amendments to the Income Tax Act (Canada) have eliminated this difference. Dividends on Class B shares may be paid by way of stock dividend.
- Class C shares are convertible into Class A shares at the option of the holder.
- Class C shares are non-voting unless the Company has failed to pay any dividend on the shares for two consecutive years.

The following Class A shares have been issued under the Company's share purchase plans:

	Number of Shares	Average Price
1980.....	282,010	Can. \$26.22
1979.....	—	—
1978.....	21,520	U.S. \$14.40
1977.....	18,000	U.S. \$12.20
1976.....	21,640	U.S. \$10.98

At December 31, 1980, loans to employees under the Company's share purchase plans amount to Can. \$7.1 million (1979–Can. \$5 million) including interest bearing loans to directors and officers of Can. \$6.6 million (1979–Can. \$2 million).

15,287 Class A ordinary shares were issued on January 1, 1981 to acquire the remaining shares of Great Lakes Power Corporation Limited. For accounting purposes these shares have been reflected above as issued in 1980.

Other changes in the number of Class A, B, and C shares outstanding from year to year reflect shares issued upon the conversion of preference shares and conversions by the holders among the classes.

11. Dividends Declared

	Can. \$ millions		U.S. \$ millions			
	1980	1979	1979	1978	1977	1976
Preferred:						
6% preference shares – Can. \$6.00 per share	—	—	—	—	—	—
Preferred Series A*.....	\$ 3.0	\$ 3.0	\$ 2.6	\$ 2.6	\$ 2.8	\$ 1.7
Total preferred.....	3.0	3.0	2.6	2.6	2.8	1.7
Ordinary:						
Classes A, B, and C.....	39.9	36.6	31.3	31.1	30.5	28.2
Paid to a subsidiary.....	(3.2)	(2.9)	(2.5)	(2.5)	(2.5)	(2.2)
Total ordinary.....	36.7	33.7	28.8	28.6	28.0	26.0
Total dividends.....	\$ 39.7	\$ 36.7	\$ 31.4	\$ 31.2	\$ 30.8	\$ 27.7
*Can. \$ per share.....	\$2.125	\$2.125	\$2.125	\$2.125	\$ 2.1373	\$1.2500

Dividends declared in 1980 represent Can. \$1.40 per ordinary share.

Dividends declared in 1979 represent U.S. \$.85 per ordinary share and Can. \$.30 per ordinary share. In 1978 and 1977, dividends declared represent U.S. \$1.10 and U.S. \$1.08 per ordinary share, and in 1976 represent U.S. \$1.00 per ordinary share. Dividends paid on Class B ordinary and Preferred Series A shares include related tax on undistributed income in the years 1976 and 1977 where applicable.

12. Income Taxes

Income tax recoveries of Can. \$8.7 million (1979–Can. \$17.2 million) arising from the application of loss carry-forwards, which resulted primarily from the Brazilian taxes paid on the sale of electric utility operations in Brazil, were realized during the year and are reflected as extraordinary items. Additional non-capital losses may be available to reduce such taxable income as may arise in the future.

Corporate tax returns of the Company have been examined by the authorities for the years up to December 31, 1977 with no major adjustments to returns as originally filed. Income tax returns for subsequent years, which include the results of significant dispositions by the Company, have yet to be examined.

13. Commitments and Contingencies

Great Lakes Power Limited is constructing a new hydro-electric generating plant at an estimated cost of Can. \$110.0 million (including interest during construction) of which Can. \$35.0 million had been expended to December 31, 1980. The Company has agreed to guarantee borrowings of Great Lakes Power Investments Limited and Great Lakes Power Limited amounting to an aggregate of Can. \$152 million (note 5), none of which had been drawn at December 31, 1980. These guarantees terminate when the new plant is commissioned and prescribed profit levels are achieved by Great Lakes Power Limited.

Other capital commitments outstanding as at December 31, 1980 were approximately \$10.0 million.

Subsequent to the sale of Light, two legal proceedings were initiated in 1979 in Brazil seeking to reverse the sale of the Company's holding in Light to Eletrobras. These proceedings were commenced under a law permitting private citizens to dispute government actions alleged to be against the national interest. The two proceedings were combined and, upon judgment, the action was found to be without cause. The Plaintiff has, however, appealed this judgment. The Company and Eletrobras have filed their arguments supporting the bases of the initial judgment. The case will now be heard by the Federal Appeal Court. The Company is advised by its Brazilian counsel that the grounds on which the proceedings are based are without merit.

Most employees in Canada are covered by retirement plans. Based on the latest actuarial valuations of the various retirement plans, there are no unfunded obligations for past service costs.

14. Comparative Figures

Certain of the prior years' accounts have been restated to conform with the 1980 presentation, including restatements made to:

- give retroactive effect, for purposes of comparison, to the non-consolidation of the accounts of the electric utility division of Great Lakes Power Corporation Limited (note 5);
- segregate net foreign exchange gains and losses previously included primarily in investment income and interest on debt; and
- combine mining taxes previously included in natural resource income with current and deferred income taxes.

15. Other Information

- (a) The directors have determined the classes of business of the Company on the basis of its principal areas of investment – natural resources (petroleum, mining, and electric utility), consumer products and financial services.

Can. \$ millions		U.S. \$ millions			
1980	1979	1979	1978	1977	1976

- (b) Consolidated subsidiaries' gross operating revenue by segment is as follows:

Petroleum (oil and gas).....	\$49.0	\$29.5	\$25.0	\$23.7	\$20.5	\$13.9
Mining (base and precious metals).....	41.0	42.8	36.7	17.2	14.7	15.9
Natural resources.....	90.0	72.3	61.7	40.9	35.2	29.8
Financial services.....	3.4	3.0	2.6	2.6	2.4	1.8
	<u>\$93.4</u>	<u>\$75.3</u>	<u>\$64.3</u>	<u>\$43.5</u>	<u>\$37.6</u>	<u>\$31.6</u>

- (c) Additional segmented information for consolidated operations:

	Can. \$ millions			
	Natural Resources		Financial Services	
	1980	1979	1980	1979
Income for the year before unallocated expenses.....	\$ 48.1	\$ 42.4	\$.5	\$.5
Identifiable assets at December 31.....	221.1	193.0	2.6	8.2
Capital expenditures for the year.....	49.7	48.6	—	—

- (d) Additional segmented information for non-consolidated investments:

	Can. \$ millions					
	Natural Resources		Consumer Products		Financial Services	
	1980	1979	1980	1979	1980	1979
Income for the year.....	\$ 22.9	\$ 8.0	\$ 12.0	\$ 6.6	\$ 7.4	\$ 2.1
Investment at December 31 (note 5).....	365.5	354.0	223.6	73.5	40.3	20.6
Investments made in the year.....	23.6	293.9	146.0	.1	11.9	3.2

- (e) Income before unallocated expenses has been determined after the following:

	Can. \$ millions		U.S. \$ millions			
	1980	1979	1979	1978	1977	1976
Equity in income of corporate investments (note 5).....	\$21.6	\$12.7	\$10.4	\$12.3	\$10.6	\$ 8.4
Dividend income.....	25.8	4.0	3.4	.1	—	—
Depreciation, depletion and amortization.....	7.7	5.3	5.3	4.8	4.9	4.2

Can \$ millions		U. S. \$ millions			
1980	1979	1979	1978	1977	1976

- (f) Interest on debt incurred initially for a term of less than one year \$ 6.6 \$.2 \$.2 \$.5 \$.5 \$.7
- (g) General corporate expenses for 1979 include Can. \$6.0 million of expenses associated with the Woolworth offer and Can. \$2.2 million associated with the re-organization of the corporate office.
- (h) The Company, or certain of its affiliated or associated companies, arranges, without cost, investment transactions on behalf of other affiliates and associates. In addition, financing transactions with affiliates and associates are carried out at normal market terms. Such transactions were not significant in relation to the aggregate of similar transactions by the Company.

16. Subsequent Events (unaudited)

- (a) On April 22, 1981 the Company entered into an agreement with Dominion Securities Limited, A.E. Ames & Co. Limited, Nesbitt Thomson Securities Limited and Merrill Lynch, Royal Securities Limited for the sale and distribution of 4,000,000 \$2.6875 cumulative redeemable 1981 preferred shares Series A for a price of Can. \$25.00 per share. The net consideration to be received by the Company will be approximately Can. \$97.95 million after deducting underwriters' fees of Can. \$1.75 million and estimated expenses of Can. \$30 million.
- (b) The Company is negotiating with a limited number of institutions for the sale of \$100 million floating rate cumulative redeemable 1981 preferred shares Series B.
- (c) A special general meeting of the shareholders of Western Mines Limited on March 26, 1981 authorized the creation of a new class of preferred shares (the "Class B Preferred Shares") and the subdivision of the common shares on a two-for-one basis and approved a name change to Westmin Resources Limited. In addition, a prospectus dated April 14, 1981 has been filed by Westmin Resources Limited offering a first series of 4,000,000 Class B Preferred Shares convertible into common shares, with an aggregate issue price of \$100 million. These shares will be convertible on or before May 1, 1988 on the basis of 1.695 common shares for each Class B Preferred Share. If all the Class B Preferred Shares were converted the Company's interest in Westmin Resources Limited would be reduced to approximately 70%.

- (d) On March 13, 1981, Westmin Resources Limited was charged under the Fisheries Act (Canada). Westmin Resources Limited is unaware of any damage occasioned to fish or other marine life by its mining operations and intends to defend itself against the charges. It is not possible at this time to determine the outcome of this action.
- (e) On February 27, 1981 the Company increased its holding in Scott Paper Company by 3,835,400 shares at a cost of approximately U.S. \$108.3 million and pursuant to an agreement dated March 21, 1981 the Company purchased 3,650,000 shares from Scott's treasury for U.S. \$102.2 million. This results in the Company having a 20.5% equity interest in Scott Paper Company at an aggregate cost of approximately U.S. \$236.1 million.
- (f) In March 1981 the Company acquired an equity interest of approximately 14.6% (fully diluted) in Royal Trustco Limited, representing the equivalent of 2,869,740 common shares, at a cost of \$64.2 million.
- (g) On April 9, 1981 the Company sold for U.S. \$3.4 million an option exercisable in mid-June, 1981 to purchase all the shares of The Quaker Oats Company owned by the Company to The Quaker Oats Company at an exercise price of U.S. \$34.00 per share.
- (h) John Labatt Limited filed a preliminary prospectus dated April 14, 1981 respecting the proposed offering of convertible subordinated debentures convertible into common shares. The Company has agreed to purchase additional convertible subordinated debentures sufficient to maintain its present degree of ownership.

PURCHASER'S STATUTORY RIGHTS

Sections 70, 126 and 135 of The Securities Act, 1978 (Ontario) provide, in effect, that where a security is offered in the course of a distribution or a distribution to the public:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the dealer from whom the purchaser purchased the security not later than midnight on the second business day after the latest prospectus and any amendment to the prospectus offering such security is received or deemed to be received by him or his agent; and
- (b) if a prospectus together with any amendment thereto contains a misrepresentation, a purchaser who purchases a security offered thereby during the period of distribution or distribution to the public shall be deemed to have relied on such misrepresentation if it was a misrepresentation at the time of purchase and, subject to the limitations set forth in such Act:
 - (1) the purchaser has a right of action for damages against
 - (i) the issuer or a selling security holder on whose behalf the distribution is made,
 - (ii) each underwriter required to sign the certificate required by section 58 of such Act,
 - (iii) every director of the issuer at the time the prospectus or amendment was filed,
 - (iv) every person or company whose consent has been filed pursuant to a requirement of the regulations under such Act but only with respect to reports, opinions or statements made by them, and
 - (v) every other person or company who signed the prospectus or the amendment,but no action to enforce the right can be commenced by a purchaser more than the earlier of 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action and three years after the date of the transaction that gave rise to the cause of action; or
 - (2) where the purchaser purchased the security from a person or company referred to in (i) or (ii) above or from another underwriter of the securities, he may elect to exercise a right of rescission against such person, company or underwriter, in which case he shall have no right of action for damages against such person, company or underwriter, but no action to enforce this right can be commenced by a purchaser more than 180 days after the date of the transaction that gave rise to the cause of action.

Sections 64 and 65 of The Securities Act (Alberta), sections 71 and 72 of The Securities Act (Saskatchewan) and sections 63 and 64 of The Securities Act (Manitoba) provide, in effect, that where a security is offered in the course of distribution to the public:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent; and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security, as of the date of receipt or deemed receipt, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right of rescission can be commenced after the expiration of 90 days from the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or the purchaser's agent, whichever is later.

Sections 60 and 61 of the Securities Act (British Columbia) provide, in effect, that where a security is offered in the course of primary distribution to the public, a purchaser has the same right of rescission described in the immediately preceding subparagraph (b) above and also that a purchaser has the right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus together with

financial statements and reports and summaries of reports relating to the security, as filed with the Superintendent of Brokers for British Columbia, was not delivered to him or, in the case of a purchaser resident in British Columbia, his agent prior to delivery of the written confirmation of the sale of the security to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

CERTIFICATES

Dated April 22, 1981

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario) and by the Securities Act (Quebec) and the respective regulations thereunder and by Section 13 of the Securities Act (New Brunswick).

(Signed) J. T. Eyton
President and Chief Executive Officer

(Signed) W. R. Miller
Senior Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) A. W. Farmilo
Director

(Signed) J. L. Cockwell
Director

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of the Securities Act (British Columbia), by Part 7 of The Securities Act (Alberta), by Part VIII of The Securities Act (Saskatchewan), by Part VII of The Securities Act (Manitoba), by Part XIV of The Securities Act, 1978 (Ontario) and by the Securities Act (Quebec) and the respective regulations thereunder and by Section 13 of the Securities Act (New Brunswick).

DOMINION SECURITIES LIMITED

By: (Signed) Frank H. Logan

A.E. AMES & CO.
LIMITED

NESBITT THOMSON
SECURITIES LIMITED

MERRILL LYNCH,
ROYAL SECURITIES LIMITED

By: (Signed) D. H. Pakrul

By: (Signed) R. A. Campbell

By: (Signed) K. R. Clarke

The following includes the name of every person or company having an interest either directly or indirectly, to the extent of not less than 5% of the capital of;

Dominion Securities Limited: F. H. Logan, A. S. Fell, G. S. Dembroski, J. B. Pitblado, C. R. Younger, D. L. Erwood and B. W. Douglas;

A.E. Ames & Co. Limited: E. C. Lipsit, P. M. Fisher, R. E. Bellamy, M. J. Binnington, A. A. de Pompignan, C. J. Oates, R. G. Matthews, J. A. Cook, L. H. Goth, J. H. Milne and J. G. Davies; and

Nesbitt Thomson Securities Limited: J. B. Aune, B. J. Steck, G. R. P. Bongard, K. G. Copland, A. R. D. Nesbitt, D. N. Stoker and P. G. Vien.

Merrill Lynch, Royal Securities Limited is, indirectly, a wholly-owned subsidiary of Merrill Lynch, Pierce, Fenner & Smith Inc.

